

**BOND RESOLUTION  
OF THE  
TEXAS WATER DEVELOPMENT BOARD**

**AUTHORIZING THE ISSUANCE OF**

**STATE OF TEXAS  
WATER FINANCIAL ASSISTANCE AND REFUNDING BONDS,  
SERIES 2017A**

**ADOPTED:**

**May 4, 2017**

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RESOLUTION

**OF THE TEXAS WATER DEVELOPMENT BOARD AUTHORIZING THE  
ISSUANCE OF STATE OF TEXAS WATER FINANCIAL ASSISTANCE AND  
REFUNDING BONDS, SERIES 2017A, AND RESOLVING OTHER MATTERS  
RELATED THERETO**

WHEREAS, the Texas Water Development Board (the "**Board**") has previously issued, sold, and delivered general obligation bonds of the State of Texas (the "**State**"), to fund one or more accounts of the Texas Water Development Fund II (referred to herein as "**Development Fund II**") established pursuant to the provisions of Section 49-d-8 of Article III of the Constitution of the State (the "**State Constitution**"), approved by the voters on November 4, 1997 ("**Section 49-d-8**"); and

WHEREAS, Section 49-d-8 authorizes the Board, at its determination, to issue general obligation bonds for the purposes described therein in an aggregate principal amount equal to the amount of bonds authorized pursuant to Sections 49-d-2, 49-d-6, and 49-d-7 of Article III of the State Constitution less the amount of bonds previously issued pursuant to those sections to augment the Texas Water Development Fund (referred to herein as "**Development Fund I**"); and

WHEREAS, Section 49-d-9 of Article III of the State Constitution, approved by the voters on November 6, 2001 ("**Section 49-d-9**"), authorized the Board to issue additional general obligation bonds, at its determination, for one or more accounts of Development Fund II, in an amount not to exceed \$2,000,000,000; and

WHEREAS, Section 49-d-9 declares that (i) Section 49-d-8 applies to the bonds authorized by Section 49-d-9, (ii) the limitation in Section 49-d-8 that the Board may not issue bonds in excess of the amount equal to the aggregate principal amount of bonds authorized pursuant to Sections 49-d-2, 49-d-6, and 49-d-7 of Article III of the State Constitution less the amount of bonds issued pursuant to those sections to augment Development Fund I does not apply to the bonds authorized by and issued under Section 49-d-9, (iii) a limitation on the percentage of state participation in any single project imposed by Article III of the State Constitution does not apply to a project funded with the proceeds of bonds issued under authority of Section 49-d-8 or Section 49-d-9, and (iv) \$50,000,000 of the bonds issued under authority of Section 49-d-9 shall be used for the Water Infrastructure Fund (hereinafter defined) as provided by law; and

WHEREAS, Section 49-d-10 of Article III of the State Constitution, approved by the voters on November 6, 2007 ("**Section 49-d-10**"), authorizes the Board to issue additional general obligation bonds, at its determination, for the Economically Distressed Areas Program Account of Development Fund II, in an amount not to exceed \$250,000,000; and

WHEREAS, Section 49-d-11 of Article III of the State Constitution, approved by the voters on November 8, 2011 ("**Section 49-d-11**"), authorizes the Board to issue additional general obligation bonds, at its determination and on a continuing basis, for one or more accounts of Development Fund II, in amounts such that the aggregate principal amount of the bonds issued by the Board under Section 49-d-11 that are outstanding at any time does not exceed \$6,000,000,000; and

WHEREAS, Section 49-d-11 declares that (i) Section 49-d-8 applies to the bonds authorized by Section 49-d-11, (ii) the limitation in Section 49-d-8 that the Board may not issue bonds in excess of the amount equal to the aggregate principal amount of bonds authorized pursuant to Sections 49-d-2, 49-d-6, and 49-d-7 of Article III of the State Constitution less the amount of bonds issued pursuant to those sections to augment Development Fund I does not apply to the bonds authorized by and issued under Section 49-d-11, and (iii) a limitation on the percentage of state participation in any single project imposed by Article III of the State Constitution does not apply to a project funded with the proceeds of bonds issued under authority of Section 49-d-8 or Section 49-d-11; and

WHEREAS, prior to the issuance of bonds authorized at this meeting, the Board had authority to issue (i) \$53,492,380 aggregate principal amount of bonds pursuant to Section 49-d-10 and (ii) \$6,000,000,000 aggregate principal amount of bonds outstanding at any time originally issued pursuant to Section 49-d-11; and

WHEREAS, in furtherance of the purposes set forth in Section 49-d-8, Section 49-d-9, 49-d-11 and Subchapter L, Chapter 17 of the Texas Water Code (the "**Act**"), the Board has heretofore issued and there are currently outstanding obligations of the Board as described in "**SCHEDULE I**" to this Resolution (collectively referred to as the "**Development Fund Bonds Currently Outstanding**"); and

WHEREAS, current market conditions are favorable to achieve debt service savings if the Board were to refund certain of the outstanding Previously Issued Financial Assistance Bonds identified in "**SCHEDULE II**" to this Resolution (the "Refundable Bonds"); and

WHEREAS, the Board finds it advisable and a public purpose of the State, in accordance with authority granted by Section 49-d-8, Section 49-d-9, and the Act (hereinafter defined), to authorize the refunding of all or a portion of the Refundable Bonds in accordance with Chapter 1207 and Chapter 1371 (hereinafter defined), subject to the parameters set forth in this Resolution, as hereinafter provided;

WHEREAS, the Board intends to issue bonds in an amount not to exceed the maximum principal amount specified in Section 2.01 hereof, pursuant to the authorities of Section 49-d-8, Section 49-d-9 and Section 49-d-11, to provide additional funds for Water Assistance Projects in the State and to refund the Refunded Bonds; and

WHEREAS, bonds authorized to be issued pursuant to this Resolution are reasonably expected by the Board to be paid from revenue sources other than the general revenues of the State;

**NOW, THEREFORE, BE IT RESOLVED BY THE TEXAS WATER DEVELOPMENT BOARD:**

## **ARTICLE I**

### **DEFINITIONS AND INTERPRETATIONS**

**Section 1.01. Definitions.** Throughout this Resolution (except in the FORM OF BOND attached as **Exhibit B** to this Resolution), in addition to the terms defined in the preamble and Section 6.02 to this Resolution the following terms and expressions used herein shall have the meanings specified in this Section.

**“Act”** means Subchapter L, Chapter 17, Texas Water Code.

**“Amortization Installment”** means the amount of money which is required for retirement of Term Bonds (whether at maturity or by mandatory redemption and including redemption premium, if any).

**“Approval Certificate”** means collectively one or more certificates, in substantially the form attached hereto as **Exhibit A**, executed by an Authorized Representative in accordance with the terms hereof which finalize the pricing and terms of the Series 2017A Bonds pursuant to the parameters set forth in this Resolution, including specifying the issuance of any one or more subseries.

**“Attorney General”** means the Attorney General of the State.

**“Authentication Certificate”** has the meaning specified for that term in Section 2.07.

**“Authorized Denomination”** means \$5,000 principal amount and any integral multiple thereof.

**“Authorized Representative”** means each of the Executive Administrator, the Chief Financial Officer and the Development Fund Manager of the Board, acting individually and not jointly.

**“Board”** means the Texas Water Development Board.

**“Bond Enhancement Agreement”** means any agreement of the nature described in Section 17.954(c), Texas Water Code.

**“Bond Payment Account”** has the meaning specified for that term in Section 5.03.

**“Bonds”** means the general obligation bonds of the State issued by the Board under authority granted by Section 49-d-8, Section 49-d-9, and Section 49-d-11 to provide funds for the Financial Assistance Account of Development Fund II, including the Previously Issued Financial Assistance Bonds and the Series 2017A Bonds.

**“Book-Entry-Only System”** shall mean the system maintained by the securities depository described in Section 2.11.

**“Business Day”** means a day other than a Saturday, Sunday, a legal holiday or a day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to close.

**“Chapter 9”** means Chapter 9, Texas Business & Commerce Code.

**“Chapter 551”** means Chapter 551, Texas Government Code.

**“Chapter 1206”** means Chapter 1206, Texas Government Code.

**“Chapter 1207”** means Chapter 1207, Texas Government Code.

**“Chapter 1208”** means Chapter 1208, Texas Government Code.

**“Chapter 1371”** means Chapter 1371, Texas Government Code.

**“Code”** means the Internal Revenue Code of 1986, as amended by all legislation, if any, enacted on or before the Date of Delivery.

**“Common Issue Bonds”** means the Series 2017A Bonds and any other tax-exempt bonds sold within 15 days of the first day on which there is a binding written contract for the sale or exchange of such bonds, if any, which are part of the same *“issue”* as defined in Section 1.150-1(c) of the Regulations, as the Series 2017A Bonds.

**“Comptroller”** means the Comptroller of Public Accounts of the State.

**“Computation Amount”** means the surplus proceeds (rounded to the next higher \$5,000 denomination) equal to the remainder of (i) thirty percent (30%) of the Net Proceeds less proceeds of Common Issue Bonds directly or indirectly used to make loans to Political Subdivisions as of the last day of the One-Year Computation Period (but not less than zero) or (ii) ninety-five percent (95%) of the Net Proceeds less the proceeds of Common Issue Bonds directly or indirectly used to make loans to Political Subdivisions as of the last day of the Three-Year Computation Period (but not less than zero).

**“Date of Delivery”** means the date of initial delivery of the Series 2017A Bonds to the Underwriters.

**“Dated Date”** shall mean the date designated in the Approval Certificate as such with respect to the Series 2017A Bonds.

**“Defeasance Securities”** means, unless otherwise specified in an Approval Certificate, (i) Federal Securities, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board adopts or approves proceedings authorizing the issuance of refunding bonds or, if such defeasance is not in connection with the issuance of refunding bonds, on the date the Board provides for the funding of an escrow to effect the defeasance of the Series 2017A Bonds, are rated as to investment quality by a nationally-recognized investment rating firm not less than “AAA” or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Board adopts or approves proceedings authorizing the issuance of refunding bonds or, if such defeasance is not in connection with the issuance of refunding bonds, on the date the Board provides for the funding of an escrow to effect the defeasance of the Series 2017A Bonds, are rated as to investment quality by a nationally-recognized investment rating firm not less than “AAA” or its equivalent, and (iv) any other then authorized securities or obligations that may be used to defease obligations such as the Series 2017A Bonds under the then applicable laws of the State.

**“Designated Payment/Transfer Office”** means the corporate trust office of the Paying Agent/Registrar designated as the place for payment, transfer and exchange of the Series 2017A Bonds, initially, the corporate trust office of the Paying Agent/Registrar in Dallas, Texas.

**“Development Fund I”** has the meaning specified for that term in the preamble to this Resolution.



**“Development Fund I Constitutional Provisions”** means Sections 49-c, 49-d, 49-d-1, 49-d-2, 49-d-5, 49-d-6 and 49-d-7 of Article III of the State Constitution.

**“Development Fund II”** has the meaning specified for that term in the preamble to this Resolution.

**“DTC”** means The Depository Trust Company, New York, New York, and its successors and assigns.

**“DTC Participant”** means the securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

**“Economically Distressed Areas Program Account”** means the account described in Section 17.958, Texas Water Code.

**“EDAP Project”** means any project found and determined by the Board to be in accordance with the purposes described in Subchapter K.

**“Eligible Investments”** means those investments in which the Board is authorized by law and its investment policy to invest its funds.

**“Escrow Agreement”** means the Escrow Agreement between the Board and the Paying Agent/Registrar, with respect to the Refunded Bonds.

**“Favorable Opinion of Bond Counsel”** means, with respect to any action the taking of which requires such an opinion, an unqualified opinion of Bond Counsel, delivered to and in form and substance satisfactory to the Issuer to the effect that such action will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation (subject to the inclusion of any exceptions contained in the opinion of Bond Counsel delivered upon original issuance of the Bonds or other customary exceptions acceptable to the recipient thereof).

**“Federal Securities”** means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America.

**“Financial Assistance Account”** means the account described in Section 17.959, Texas Water Code, as further described and defined in Section 5.03.

**“Fiscal Year”** means the period of time beginning in each calendar year on September 1 and ending on August 31 of the calendar year next following.

**“Form of Bond”** shall mean the Form of Bond attached hereto as **Exhibit B**.

**“GASB”** means the Governmental Accounting Standards Board.

**“Holder”** or **“Owner”** shall mean the person who is the registered owner of a Series 2017A Bond or subseries thereof, as shown on the Registration Books.

**“Initial Bond”** means the Series 2017A Bonds authorized, issued, sold and delivered hereunder and upon which the registration certificate, manually executed by or on behalf of the Comptroller, has been placed.

**“Interest Payment Date”** means the date or dates on which interest on the Series 2017A Bonds is scheduled to be paid, as designated in the Approval Certificate.

**“Money and Assets Attributable to Bonds”** means:

(1) the Board’s rights to receive repayment of financial assistance provided from the Financial Assistance Account, together with any evidence of such rights;

(2) money received from the sale or other disposition of the Board’s rights to receive repayment of such financial assistance;

(3) money received as repayment of such financial assistance;

(4) money and assets attributable to Bonds, including money and assets transferred to the Financial Assistance Account from Development Fund I pursuant to Subsection (b) of Section 49-d-8; and

(5) money deposited in the Financial Assistance Account pursuant to Subsection (c) of Section 49-d-8.

**“MSRB”** means the Municipal Securities Rulemaking Board.

**“Net Proceeds”** means the amounts received from the sale of Common Issue Bonds less proceeds used to pay costs of issuance, including any underwriters’ compensation, proceeds used to pay interest on such Common Issue Bonds during all or any portion of the One-Year Computation Period or the Three-Year Computation Period, as the case may be, and proceeds used to refund prior Bonds. Notwithstanding the foregoing, if applicable, the amount of Net Proceeds shall be adjusted to equal only the amount of Net Proceeds with respect to the portion of the Common Issue Bonds treated as a separate issue pursuant to Section 149(f)(7)(B) of the Code due to only that portion of the Common Issue Bonds being reasonably expected (at the time of issuance of the Common Issue Bonds) to be used (or is intentionally used) to make loans as described in Section 149(f)(6)(A) of the Code.

**“Official Statement”** means the Official Statement pertaining to the Series 2017A Bonds, and authorized by Section 8.02 hereof.

**“One-Year Computation Period”** means the period ending on the last day of the one-year period commencing on the Date of Delivery.

**“Owner”** or **“Holder”** shall mean the person who is the registered owner of a Series 2017A Bond or subseries thereof, as shown on the Registration Books.

**“Outstanding”** shall mean, when used to modify the Bonds, all of such Bonds issued, authenticated and delivered under their respective authorizing resolutions except (i) any Bonds which have been exchanged or replaced or otherwise surrendered for cancellation, (ii) any Bonds which have been paid, (iii) any Bonds which have become due and for the payment of

which money has been duly provided, and (iv) any Bonds which have been legally defeased and discharged in accordance with the terms of respective authorizing resolution.

**“Paying Agent/Registrar”** means the financial institution named in Section 2.06 or any successor thereto named in accordance with the provisions of Section 2.10.

**“Paying Agent/Registrar Agreement”** means the paying agent agreement between the Board and the Paying Agent/Registrar, relating to the performance of the duties and responsibilities of the Paying Agent/Registrar with respect to the Series 2017A Bonds.

**“Person”** means any natural person, firm, partnership, association, corporation, or public body.

**“Political Subdivision”** has the meaning specified for that term in Section 17.001(6), Texas Water Code.

**“Previously Issued Financial Assistance Bonds”** means bonds previously issued to provide funds for the Financial Assistance Account and any refunding bonds issued in replacement thereof, including, but not limited to, the currently Outstanding Bonds identified as being issued for Water Assistance Projects in Schedule I.

**“Purchase Agreement”** means the bond purchase agreement between the Board and the Underwriters relating to the sale of the Series 2017A Bonds.

**“Refundable Bonds”** means those bonds identified in “SCHEDULE II” to this Resolution.

**“Refunded Bonds”** means those Refundable Bonds selected by the Authorized Representative to be refunded with the proceeds of the Series 2017A Bonds, as identified in the Approval Certificate.

**“Registration Books”** has the meaning specified for that term in Section 2.06.

**“Regulations”** has the meaning specified for that term in Section 6.02.

**“Resolution”** means this Resolution authorizing the issuance of the Series 2017A Bonds and all amendments hereto.

**“Rule”** means SEC Rule 15c2-12.

**“Rural Water Assistance Fund”** means the account within the general revenue fund of the State established pursuant to Subchapter R.

**“SEC”** means the United States Securities and Exchange Commission.

**“Section 49-d-8”** has the meaning specified for that term in the preamble to this Resolution.

**“Section 49-d-9”** has the meaning specified for that term in the preamble to this Resolution.

**“Section 49-d-10”** has the meaning specified for that term in the preamble to this Resolution.

**“Section 49-d-11”** has the meaning specified for that term in the preamble to this Resolution.

**“Series 2017A Bonds”** means the State of Texas Water Financial Assistance and Refunding Bonds Series 2017A, authorized to be issued in accordance with the terms of this Resolution and the terms and conditions set forth in the Approval Certificate relating thereto.

**“State”** means the State of Texas.

**“State Constitution”** means the Constitution of the State.

**“State Participation Account”** means the account described in Section 17.957, Texas Water Code.

**“State Participation Project”** means any project found by the Board to be in accordance with the purposes described in Section 16.131, Texas Water Code.

**“State Treasury”** means the treasury of the State under the administration and supervision of the Comptroller.

**“Subchapter K”** means Subchapter K, Chapter 17, Texas Water Code.

**“Subchapter Q”** means Subchapter Q, Chapter 15, Texas Water Code.

**“Subchapter R”** means Subchapter R, Chapter 15, Texas Water Code.

**“Term Bonds”** means Series 2017A Bonds so designated by the Board herein or in the Approval Certificate.

**“Three-Year Computation Period”** means the period ending on the last day of the three-year period commencing the Date of Delivery.

**“Underwriters”** means the investment banking firms that contract to purchase the Series 2017A Bonds pursuant to the Purchase Agreement and in accordance with Section 8.01.

**“Water Assistance Project”** or **“Water Assistance Projects”** means any project for which the Board is authorized to provide financial assistance, in accordance with the purposes described by the Development Fund I Constitutional Provisions or Section 49-d-8, other than (i) an EDAP Project or (ii) a State Participation Project. The term “Water Assistance Project” includes, without limitation, transfers to or deposits to the credit of any state revolving fund administered by the Board under the provisions of the Texas Water Code, specifically Chapter 15, Texas Water Code, and transfers to or deposits to the credit of the Rural Water Assistance Fund or the Water Infrastructure Fund.

**“Water Infrastructure Fund”** means the special fund in the State Treasury established pursuant to Subchapter Q and administered by the Board.

**“Water Infrastructure Fund Bond Payment Account”** means the account so defined by the Board in the resolution adopted April 29, 2008, authorizing the issuance of State of Texas Water Financial Assistance Bonds, Series 2008A (Water Infrastructure Fund).

**Section 1.02. Rules of Construction.**

(a) Designation of Articles, Sections. For all purposes of this Resolution, unless the context requires otherwise, all references to designated Articles, Sections and other subdivisions are to the Articles, Sections and other subdivisions of this Resolution. The words “herein,” “hereof” and “hereunder” and other words of similar import refer to this Resolution as a whole and not to any particular Article, Section or other subdivision.

(b) References. Except where the context otherwise requires, terms defined in this Resolution to impart the singular number shall be considered to include the plural number and vice versa. References to any named Person means that party and its successors and assigns. References to any constitutional, statutory or regulatory provision means such provision as it exists on the date this Resolution is adopted by the Board and any future amendments thereto or successor provisions thereof. Any reference to the payment of principal in this Resolution shall be deemed to include the payment of Amortization Installments. References in this Resolution to FORM OF BOND refer to the form attached to this Resolution as **Exhibit B**.

**Section 1.03. Interpretations.** The titles and headings of the Articles and Sections of this Resolution have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof.

END OF ARTICLE I

ARTICLE II

**THE SERIES 2017A BONDS**

**Section 2.01. Authorization of Bonds.**

(a) Purpose; Maximum Amount. For the purposes set forth in Section 49-d-8, 49-d-9 and Section 49-d-11, and pursuant to authority granted by the Act, the negotiable general obligation bonds of the State to be known and designated as **STATE OF TEXAS WATER FINANCIAL ASSISTANCE AND REFUNDING BONDS, SERIES 2017A**, are hereby authorized and may be issued, from time to time, for the purpose of conserving and developing the water resources of the State, to-wit, by providing funds for the Financial Assistance Account for Water Assistance Projects, providing funds for the refunding of the Refunded Bonds, and paying expenses arising in connection with the issuance of the Series 2017A Bonds. The combined principal amount of all Series 2017A Bonds authorized to be issued pursuant to this Resolution shall not exceed \$\_\_\_\_\_.

(b) Delegation of Authority. As authorized by Chapter 1207 and Chapter 1371, each Authorized Representative, individually and not jointly, is hereby authorized, appointed and designated to act on behalf of the Board in selling and delivering, in one or more series, the Series 2017A Bonds and carrying out the procedures specified in this Resolution, including determining:

(i) the date for issuance and sale, and the Dated Date, of the Series 2017A Bonds;

(ii) the selection of the specific maturities or series (whole or part) of the Refunded Bonds to be refunded;

(iii) the name and any special or additional series designation for the Series 2017A Bonds;

(iv) the principal amount of Series 2017A Bonds to be sold (subject to the limitations set forth in Section 2.01(a)), as well as the principal amount of each stated maturity within the Series 2017A Bonds;

(v) the price at which the Series 2017A Bonds shall be sold;

(vi) the principal amount of Series 2017A Bonds to be sold as current interest bonds, if any, and the principal amount of Series 2017A Bonds to be sold as premium capital appreciation bonds, if any;

(vii) the principal amortization schedule for the Series 2017A Bonds (including, without limitation, the designation of any of the maturities of the Series 2017A Bonds as Term Bonds and any Amortization Installments to be deposited to the credit of the Bond Payment Account relating to any Term Bond so designated);

(viii) in accordance with the provisions of ARTICLE III hereof, the redemption features of the Series 2017A Bonds (including any associated premium);

(ix) the rate or rates of interest to be borne by the Series 2017A Bonds;

(x) whether to acquire a Bond Enhancement Agreement in support of all or any portion of the Series 2017A Bonds; and

(xi) any other matters relating to the issuance, sale and delivery of the Series 2017A Bonds; all of which shall be specified in one or more Approval Certificates executed in accordance with the terms hereof and within the parameters set forth in Section 2.01(c) below.

(c) **Parameters.** The Authorized Representative may exercise any authority granted under Chapter 1207 and Chapter 1371 to effect the refunding of any or all of the bonds included in the definition of Refundable Bonds, so long as on the date the Purchase Agreement is executed:

(i) the net present value savings, calculated in accordance with GASB Statement No. 7, realized as a result of the refunding of the principal amount of the Refunded Bonds by the Series 2017A Bonds (aggregating all subseries of such bonds) is not less than two percent (2%);

(ii) the maximum maturity of any Series 2017A Bonds issued hereunder shall not exceed \_\_\_\_\_, 20\_\_; and

(iii) the true interest rate or rates applicable to any Series 2017A Bonds shall not exceed \_\_\_\_%; and

(iv) the final Series 2017A Bonds issued hereunder must be sold not later than May 4, 2018 (though the closing of a particular series of Series 2017A Bonds sold in accordance with this provision may occur after such date, so long as such closing period is determined by an Authorized Representative to be of reasonable duration).

**Section 2.02. Denominations, Date and Interest Rates.** The Series 2017A Bonds shall be in any Authorized Denomination, shall be numbered consecutively from R-1 upward, shall be dated the date described in the Approval Certificate, and shall be in substantially the form attached hereto as **Exhibit A**. Interest on the Series 2017A Bonds shall be payable on the Interest Payment Dates. The Series 2017A Bonds shall bear interest at rates as specified in the Approval Certificate. Interest shall be payable in the manner and on the terms provided in this Resolution and the Approval Certificate. The FORM OF BOND shall be completed in accordance with the terms of the Approval Certificate to reflect the aggregate principal amount of the Series 2017A Bonds sold to the Underwriters.

**Section 2.03. Maturities and Amounts.** The Series 2017A Bonds shall mature on the dates and in the amounts as set forth in the principal amortization schedule contained in the Approval Certificate.

**Section 2.04. Execution of Bonds.** Each Series 2017A Bond shall be executed for and on behalf of the State as a general obligation of the State by having placed thereon the lithographed or printed facsimile or the manual signatures of the Chairman of the Board and the Executive Administrator, and the manually impressed or lithographed or printed facsimile seal of the Board. Lithographed or printed facsimile signatures and seal shall have the same effect as if each Series 2017A Bond had been manually signed by such officers, and the seal had been manually impressed on each Series 2017A Bond.

In case any officer whose signature is on a Series 2017A Bond no longer holds such office at the time of authentication, or was the proper officer on the date of execution but not on the nominal date of action, the Series 2017A Bond shall nevertheless be valid.

**Section 2.05. Temporary Bonds.** Pending the preparation of definitive Series 2017A Bonds, the Board may execute and, upon the Board's request, the Paying Agent/Registrar shall authenticate and deliver, one or more temporary Series 2017A Bonds substantially of the tenor of the definitive Series 2017A Bonds in lieu of which they are delivered, with such appropriate insertions, omissions, substitutions and other variations, as evidenced by the execution of such temporary Series 2017A Bonds, as such officers executing such temporary Series 2017A Bonds may determine.

Until exchanged for Series 2017A Bonds in definitive form, such Series 2017A Bonds in temporary form shall be entitled to the benefit and security of this Resolution. The Board, without unreasonable delay, shall prepare, execute and deliver to the Paying Agent/Registrar, and upon the presentation and surrender of the temporary Series 2017A Bonds to the Paying Agent/Registrar, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor, definitive Series 2017A Bonds of the same maturity and aggregate principal amount, and bearing or accruing interest at the same rate as the temporary Series 2017A Bonds surrendered. The exchange shall be made without any charge to any owner of Series 2017A Bonds.

**Section 2.06. Appointment and Duties of Paying Agent/Registrar.**

(a) **Appointment.** The Board hereby appoints The Bank of New York Mellon Trust Company, N.A., as the initial Paying Agent/Registrar for the Series 2017A Bonds. The Board shall keep or cause to be kept at the Designated Payment/Transfer Office of the Paying Agent/Registrar books or records of the registration and transfer of the Series 2017A Bonds (the "**Registration Books**"), and the Board hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such transfers and registrations under such reasonable regulations as the Board and the Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such transfers and registrations as herein provided. It shall be the duty of the Paying Agent/Registrar to obtain from the registered owner and record in the Registration Books the address of such registered owner of each Series 2017A Bond to which payments with respect to the Series 2017A Bonds shall be mailed, as herein provided. The Board or its designee shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. The Board hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Series 2017A Bonds, and to act as its agent to convert and exchange or replace Series 2017A Bonds, all as provided in this Resolution. The Paying Agent/Registrar shall keep proper records of all payments made by the Board and the Paying Agent/Registrar with respect to the Series 2017A Bonds, and of all conversions and exchanges of such Series 2017A Bonds, and all replacements of such Series 2017A Bonds, as provided in this Resolution.

(b) **Duties.** The Paying Agent/Registrar shall perform such duties as are required of the Paying Agent/Registrar hereunder and under the Paying Agent/Registrar Agreement. The Executive Administrator or the designee thereof is hereby authorized to execute and deliver for and on behalf of the Board the Paying Agent/Registrar Agreement, substantially in the form of the agreement attached hereto as **Exhibit C**, with such changes as the Executive Administrator



may approve, such approval to be conclusively evidenced by the execution and delivery of such agreement by the Executive Administrator or the designee thereof.

**Section 2.07. Registration, Transfer and Exchange of Bonds.**

(a) Transfer. Registration of each Series 2017A Bond may be transferred on the Registration Books only upon presentation and surrender of such Series 2017A Bond at the Designated Payment/Transfer Office of the Paying Agent/Registrar for transfer of registration and cancellation, together with proper written instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing the assignment of the Series 2017A Bond, or any portion thereof in any Authorized Denomination, to the assignee or assignees thereof, and the right of such assignee or assignees to have the Series 2017A Bond or any such portion thereof registered in the name of such assignee or assignees. Upon the assignment and transfer of any Series 2017A Bond or any portion thereof, a new substitute Series 2017A Bond or Series 2017A Bonds shall be issued in conversion and exchange therefor in the manner provided in this Section.

(b) Duty of Conversion, Exchange or Replacement. Pursuant to Chapter 1206, and particularly Subchapter B thereof, the duty of conversion and exchange or replacement of Series 2017A Bonds in the manner prescribed herein is hereby imposed upon the Paying Agent/Registrar. Each Series 2017A Bond may be converted into and exchanged for fully registered Series 2017A Bonds in the manner set forth herein. Each Series 2017A Bond issued and delivered pursuant to this Resolution, to the extent of the unpaid or unredeemed principal amount thereof, as the case may be, upon surrender of such Series 2017A Bond at the Designated Payment/Transfer Office of the Paying Agent/Registrar, together with a written request therefor duly executed by the registered owner or the assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantee of signatures satisfactory to the Paying Agent/Registrar, at the option of the registered owner or such assignee or assignees, as appropriate, shall be converted into and exchanged for fully registered Series 2017A Bonds in the form prescribed in the FORM OF BOND of like series, in any Authorized Denomination (subject to the requirement hereinafter stated that each substitute Series 2017A Bond shall have a single stated maturity date), as requested in writing by such registered owner or such assignee or assignees, in an aggregate principal amount equal to the unpaid or unredeemed principal amount of any Series 2017A Bond or Series 2017A Bonds, as the case may be, so surrendered, and payable to the appropriate registered owner, assignee, or assignees, as the case may be. If a portion of any Series 2017A Bond shall be redeemed prior to its scheduled maturity as provided herein, a substitute Series 2017A Bond or Series 2017A Bonds having the same maturity date, of like series and bearing or accruing interest at the same rate, in any Authorized Denomination at the written request of the registered owner, and in an aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon surrender thereof for cancellation. The Paying Agent/Registrar promptly shall cancel all Series 2017A Bonds surrendered for conversion and exchange or replacement. If any Series 2017A Bond or portion thereof is assigned and transferred or converted, each Series 2017A Bond issued in exchange therefor shall have the same principal maturity date, be of like series and bear or accrue interest at the same rate, as the Series 2017A Bond for which it is being exchanged.

(c) No Additional Actions Necessary. No additional ordinances, orders, or resolutions need be passed or adopted by the Board or any other Person so as to accomplish the foregoing conversion and exchange or replacement of any Series 2017A Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution and delivery of

the substitute Series 2017A Bonds in the manner prescribed herein. All Series 2017A Bonds issued in conversion and exchange or replacement of any other Series 2017A Bond or portion thereof (i) shall be issued in fully registered form with the principal of and interest on such Series 2017A Bonds to be payable only to the registered owners thereof, (ii) may be redeemed prior to their scheduled maturities, (iii) may be transferred and assigned, (iv) may be converted and exchanged for other Series 2017A Bonds, (v) shall have the characteristics, (vi) shall be signed and sealed, and (vii) the principal thereof and interest thereon shall be payable, all if and as provided with respect to the Series 2017A Bonds, and in the manner required or indicated, in ARTICLE II of this Resolution. Each substitute Series 2017A Bond shall bear a letter and/or number to distinguish it from each other Series 2017A Bond. Each fully registered Series 2017A Bond delivered in conversion of and exchange for or replacement of any Series 2017A Bond or portion thereof as permitted or required by any provision of this Resolution shall constitute one of the Series 2017A Bonds for all purposes of this Resolution, and may again be converted and exchanged or replaced.

(d) Authentication Certificate. On each substitute Series 2017A Bond issued in conversion of and exchange for or replacement of any Series 2017A Bond or Series 2017A Bonds issued under this Resolution there shall be printed thereon a Paying Agent/Registrar's Authentication Certificate (the "**Authentication Certificate**"), in the form set forth in the FORM OF BOND. An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Series 2017A Bond, date and manually sign the Authentication Certificate, and no such Series 2017A Bond shall be deemed to be issued or Outstanding unless the Authentication Certificate is so executed. Upon the execution of the Authentication Certificate, the converted and exchanged or replaced Series 2017A Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Initial Bond which originally was delivered pursuant to this Resolution, approved by the Attorney General, and registered by the Comptroller.

(e) Restrictions on Transfer or Exchange. Neither the Board, the State nor the Paying Agent/Registrar shall be required (i) to issue, transfer, or exchange any Series 2017A Bond subject to redemption during a period beginning at the opening of business thirty (30) days before the day of the first mailing of a notice of redemption of Series 2017A Bonds and ending at the close of business on the day of such mailing or (ii) to transfer or exchange any Series 2017A Bond after it is selected for redemption, in whole or in part, prior to the redemption date; except that at the option of the registered owner of at least \$1,000,000 in principal amount of Series 2017A Bonds, the Paying Agent/Registrar shall be required to transfer or exchange any such Series 2017A Bond which has been selected in whole or in part for redemption upon surrender thereof. In such event, the Paying Agent/Registrar may make such arrangements as it deems appropriate for notation on each new Series 2017A Bond issued in exchange for or upon transfer of the Series 2017A Bond so selected for redemption of an appropriate legend to the effect that such new Series 2017A Bond has been so selected for redemption.

(f) Payment of Fees. The registered owner of any Series 2017A Bond requesting any conversion and exchange shall pay the Paying Agent/Registrar's reasonable and standard or customary fees and charges for converting and exchanging any such Series 2017A Bond or portion thereof, together with any taxes or governmental charges required to be paid with respect thereto, all as a condition precedent to the exercise of such privilege of conversion and exchange; except that in the case of the conversion and exchange of an assigned and transferred Series 2017A Bond or any portion or portions thereof in any Authorized Denomination, and in the case of the conversion and exchange of the unredeemed portion of a

Series 2017A Bond which has been redeemed in part prior to maturity, as provided in this Resolution, such fees and charges will be paid by the Board. In addition, the Board hereby covenants with the registered owners of the Series 2017A Bonds that it will pay the (i) reasonable and standard or customary fees and charges of the Paying Agent/Registrar for its services with respect to the payment of the principal of and interest on the Series 2017A Bonds, when due, and (ii) fees and charges of the Paying Agent/Registrar for services with respect to the transfer or registration of Series 2017A Bonds, and with respect to the conversion and exchange of Series 2017A Bonds solely to the extent above provided.

**Section 2.08. Owners of Bonds.** The Person in whose name any Series 2017A Bond shall be registered in the Registration Books at any time shall be treated as the absolute owner thereof for all purposes of this Resolution, whether such Series 2017A Bond shall be overdue, and the Board and the Paying Agent/Registrar shall not be affected by any notice to the contrary unless otherwise required by law; and payment of, or on account of, the principal of and premium, if any, and interest on any such Series 2017A Bond shall be made only to such registered owner. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2017A Bond to the extent of the sum or sums so paid.

**Section 2.09. Damaged, Mutilated, Lost, Stolen or Destroyed Bonds.**

(a) Replacement. In the event any Outstanding Series 2017A Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new Series 2017A Bond of the same principal amount, maturity date, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Series 2017A Bond, in replacement for such Series 2017A Bond in the manner hereinafter provided.

(b) Application for Replacement. Application for replacement of damaged, mutilated, lost, stolen, or destroyed Series 2017A Bonds shall be made to the Paying Agent/Registrar. In every case of loss, theft or destruction of a Series 2017A Bond, the applicant for a replacement Series 2017A Bond shall furnish to the Board and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft or destruction of a Series 2017A Bond, the applicant shall furnish to the Board and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft or destruction of such Series 2017A Bond, as the case may be. In every case of damage or mutilation of a Series 2017A Bond, the applicant shall surrender to the Paying Agent/Registrar for cancellation the Series 2017A Bond so damaged or mutilated.

(c) Payment in Lieu of Replacement. Notwithstanding the foregoing provisions of this Section, in the event any such Series 2017A Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of, premium, if any, or interest on the Series 2017A Bond, the Board may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Series 2017A Bond) instead of issuing a replacement Series 2017A Bond, provided security or indemnity is furnished as above provided in this Section.

(d) Payment of Costs. Prior to the issuance of any replacement Series 2017A Bond, the Paying Agent/Registrar shall charge the owner of such Series 2017A Bond with all legal, printing, and other expenses in connection therewith. Every replacement Series 2017A Bond issued pursuant to the provisions of this Section by virtue of the fact that any Series 2017A Bond is lost, stolen or destroyed shall constitute a contractual obligation of the Board whether the lost, stolen, or destroyed Series 2017A Bond shall be found at any time, or

be enforceable by anyone, and shall be entitled to all the benefits of this Resolution equally and proportionately with any and all other Series 2017A Bonds duly issued under this Resolution.

(e) Legal Authority. In accordance with Chapter 1206, this Section shall constitute authority for the issuance of any such replacement Series 2017A Bond without necessity of further action by the Board of any other Person, and the duty of the replacement of such Series 2017A Bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Series 2017A Bonds in the form and manner and with the effect, as provided in Section 2.07 for Series 2017A Bonds issued in conversion and exchange for other Series 2017A Bonds.

**Section 2.10. Successor Paying Agent/Registrars.** The Board covenants with the registered owners of the Series 2017A Bonds that at all times while the Series 2017A Bonds are Outstanding the Board will provide a competent and legally qualified bank or trust company to act as and perform the services of Paying Agent/Registrar for the Series 2017A Bonds under this Resolution, and that the Paying Agent/Registrar will be one entity. The Board reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than sixty (60) days' written notice to the Paying Agent/Registrar. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Board covenants that promptly it will appoint a competent and legally qualified bank or trust company which shall be a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar under this Resolution. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Series 2017A Bonds, to the new Paying Agent/Registrar designated and appointed by the Board. Upon any change in the Paying Agent/Registrar, the Board promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Series 2017A Bonds, by United States mail, first-class, postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar and the Designated Payment/Transfer Office. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Resolution, and a certified copy of this Resolution shall be delivered to each Paying Agent/Registrar.

**Section 2.11. Book-Entry-Only System.** The Initial Bond shall be delivered to the Underwriters against payment received therefrom on the Date of Delivery. The senior managing underwriter named in Section 8.01 hereof, acting as the representative for the Underwriters, shall be required to promptly surrender the Initial Bond to the Paying Agent/Registrar for exchange. Series 2017A Bonds issued in exchange therefor shall be registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Series 2017A Bonds, and held in the custody of DTC. Unless otherwise requested by DTC, a single certificate will be issued and delivered to DTC for each maturity of the Series 2017A Bonds. Beneficial owners of Series 2017A Bonds will not receive physical delivery of Series 2017A Bond certificates except as provided hereinafter. For so long as DTC shall continue to serve as securities depository for the Series 2017A Bonds as provided herein, all transfers of beneficial ownership interests will be made by book-entry only, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of Series 2017A Bonds is to receive, hold or deliver any Series 2017A Bond certificate.

With respect to Series 2017A Bonds registered in the name of Cede & Co., as nominee of DTC, the Board and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any Person on whose behalf a DTC Participant holds an interest in the Series 2017A Bonds. Without limiting the immediately preceding sentence, the Board and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Series 2017A Bonds, (ii) the delivery to any DTC Participant or any other Person, other than a registered owner of the Series 2017A Bonds, as shown on the Registration Books, of any notice with respect to the Series 2017A Bonds, including any notice of redemption, and (iii) the payment to any DTC Participant or any other Person, other than a registered owner of the Series 2017A Bonds, as shown in the Registration Books, of any amount with respect to principal of or premium, if any, or interest on the Series 2017A Bonds.

Replacement Series 2017A Bonds may be issued directly to beneficial owners of Series 2017A Bonds other than DTC, or its nominee, but only in the event that: (i) DTC determines not to continue to act as securities depository for the Series 2017A Bonds (which determination shall become effective no less than ninety (90) days after written notice to such effect to the Board and the Paying Agent/Registrar); (ii) the Board has advised DTC of its determination (which determination is conclusive as to DTC and beneficial owners of the Series 2017A Bonds) that DTC is incapable of discharging its duties as securities depository for the Series 2017A Bonds; or (iii) the Board has determined (which determination is conclusive as to DTC and the beneficial owners of the Series 2017A Bonds) that the interests of the beneficial owners of the Series 2017A Bonds might be adversely affected if such book-entry-only system of transfer is continued. Upon occurrence of any of the foregoing events, the Board shall use its best efforts to attempt to locate another qualified securities depository to replace DTC. If the Board fails to locate another qualified securities depository to replace DTC, the Board shall cause to be authenticated and delivered replacement Series 2017A Bonds, in certificate form, to the beneficial owners of the Series 2017A Bonds. In the event that the Board makes the determination noted in (ii) or (iii) above (provided that the Board undertakes no obligation to make any investigation to determine the occurrence of any events that would permit the Board to make any such determination), and has made provisions to notify the beneficial owners of Series 2017A Bonds of such determination by mailing an appropriate notice to DTC, it shall cause to be issued replacement Series 2017A Bonds in certificate form to beneficial owners of the Series 2017A Bonds as shown on the records of DTC provided to the Board.

Whenever, during the term of the Series 2017A Bonds, the beneficial ownership thereof is determined by a book entry at DTC, the requirements in this Resolution of holding, delivering or transferring Series 2017A Bonds shall be deemed modified to require the appropriate Person or entity to meet the requirements of DTC as to registering or transferring the book entry to produce the same effect.

If at any time, DTC ceases to hold the Series 2017A Bonds as securities depository, all references herein to DTC shall be of no further force or effect.

**Section 2.12. All Bonds On Parity.** No Bond shall be entitled to priority of payment over any other Bond in the application of any moneys made available by law for the payment thereof, irrespective of the fact that some of the Bonds may have been or may be delivered prior to the delivery of other Bonds, it being the intent of this Resolution that all Bonds shall rank equally.

END OF ARTICLE II

**ARTICLE III****REDEMPTION OF BONDS BEFORE MATURITY**

**Section 3.01. Limitation on Redemption.** Unless otherwise provided in the Approval Certificate, the Series 2017A Bonds shall be subject to redemption before scheduled maturity only as provided in this ARTICLE III. Any provision of this ARTICLE III, including, without limitation, any provisions relating to the method or selection of Series 2017A Bonds for redemption may be modified in an Approval Certificate.

**Section 3.02. Optional and Mandatory Redemption.** The Series 2017A Bonds shall be subject to optional and mandatory sinking fund redemption by the Board on behalf of the State prior to maturity in the manner and at the redemption price as described in the Approval Certificate. The FORM OF BOND shall be completed upon the execution of the Approval Certificate to reflect the redemption provisions, if any, applicable to the Series 2017A Bonds as provided for in the Approval Certificate.

**Section 3.03. Extraordinary Mandatory Redemption.** To the extent necessary to comply with the provisions of Section 149(f) of the Code, Series 2017A Bonds may be subject to extraordinary mandatory redemption, on any date which is not earlier than the final day of either the One-Year Computation Period or the Three-Year Computation Period, as the case may be, in an amount equal to the Computation Amount applicable to the One-Year Computation Period or the Three-Year Computation Period, as the case may be, plus accrued interest to the date of such extraordinary mandatory redemption, together with a premium, if any, in the manner provided in the Approval Certificate and as further described in the FORM OF BOND. The foregoing notwithstanding, Series 2017A Bonds shall not be subject to such extraordinary mandatory redemption if the Board obtains an opinion of nationally-recognized bond counsel to the effect that the failure by the Board to cause such extraordinary mandatory redemption to occur will not adversely affect the excludability of interest on such Series 2017A Bonds from gross income for federal income tax purposes.

**Section 3.04. Notice of Redemption.**

(a) The Paying Agent/Registrar shall record in the Registration Books all such redemptions of principal of the Series 2017A Bonds or any portion thereof. Notice of any redemption of the Series 2017A Bonds shall be given to the registered owners thereof by the Paying Agent/Registrar in the manner provided in the FORM OF BOND.

(b) In addition to the manner of providing notice of redemption of the Series 2017A Bonds as set forth in the FORM OF BOND, the Paying Agent/Registrar shall give notice of redemption of the Series 2017A Bonds by United States mail, first-class postage prepaid, at least thirty (30) days prior to a redemption date to each registered securities depository and to the MSRB. Any notice sent to the registered securities depositories or the MSRB shall be sent so that they are received at least two (2) days prior to the general mailing, publication or electronic posting date of such notice. The Paying Agent/Registrar shall also send a notice of redemption to the registered owner of any Series 2017A Bonds who has not sent the Series 2017A Bonds in for redemption sixty (60) days after the redemption date. The failure to send, mail or receive any such notice described in this clause, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Series 2017A Bond.

(c) The Board reserves the right to give notice of its election to optionally redeem Series 2017A Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of monies and/or Defeasance Securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) that the Board retains the right to rescind such notice at any time prior to the scheduled redemption date if the Board delivers a certificate or other direction to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice of redemption shall be of no effect if such monies and/or Defeasance Securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission to the affected Owners. Any Series 2017A Bonds subject to conditional redemption where redemption has been rescinded shall not constitute an event of default and shall remain outstanding.

(d) Each redemption notice, whether required in the FORM OF BOND or otherwise by this Resolution, shall contain a description of the Series 2017A Bonds to be redeemed, including the complete name of the Series 2017A Bonds, the series, the date of issue, the interest rate, the maturity date, the CUSIP number, if any, the amounts called of each Series 2017A Bond, the publication and mailing date for the notice, the date of redemption, the redemption price, the name of the Paying Agent/Registrar and the address at which the Series 2017A Bond may be redeemed including a contact person and telephone number.

(e) All redemption payments made by the Paying Agent/Registrar to the registered owners of the Series 2017A Bonds shall include a CUSIP number relating to each amount paid to such registered owner.

(f) Should notice to call Series 2017A Bonds for redemption at the option of the Board be given in the manner provided above, but the Board shall not be able to provide the Paying Agent/Registrar with amounts sufficient to effect on the date fixed for redemption the payment of the entire redemption price of the Series 2017A Bonds so called for redemption, no Series 2017A Bond shall be redeemed on the date fixed for redemption, and the notice of redemption for such Series 2017A Bonds shall be null and void. Such occurrence shall not result in default of the Board's payment obligations on the Series 2017A Bonds as provided herein or in the Series 2017A Bonds.

**Section 3.05. Payment Upon Redemption.** (a) By each redemption date, the Board shall deposit with the Paying Agent/Registrar money sufficient to pay all amounts due on the redemption date.

(b) Upon presentation and surrender of any Bond called for redemption at the designated office of the Paying Agent/Registrar on or after the date fixed for redemption, the Paying Agent/Registrar shall pay the principal of and accrued interest on such Bond to the date of redemption from the money provided for that purpose.

**Section 3.06. Effect of Redemption.** (a) Notice of redemption having been given, and due provisions having been made for payment, the Series 2017A Bonds or portions thereof called for redemption shall become due and payable on the date fixed for redemption; thereafter, such Series 2017A Bonds or portions thereof shall cease to bear interest from the date fixed for redemption, whether or not such Series 2017A Bonds are presented and surrendered for payment on such date.



(b) If the Board shall fail to make provision for the payment of all sums due on a redemption date, then any Bond or portion thereof called for redemption shall continue to bear interest until due provision is made for the payment of the same by the Board.

END OF ARTICLE III

ARTICLE IV

**FORM OF BONDS AND CERTIFICATES**

**Section 4.01. Form of Bond and Certificates.** The form of all Series 2017A Bonds, including the form of the Authentication Certificate and the form of Assignment to be printed on each of the Series 2017A Bonds, and the form of registration certificate of the Comptroller that shall accompany the Initial Bond, shall be substantially in the form as set forth in the FORM OF BOND attached hereto as **Exhibit B**, with such appropriate variations, omissions or insertions as are permitted or required by this Resolution or the Approval Certificate. The Series 2017A Bonds may have such letters, numbers or other identifying marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements thereon as may, consistent herewith, be approved by the Chairman of the Board or the Authorized Representative.

**Section 4.02. Opinion of Bond Counsel.** A copy of the approving opinion of Norton Rose Fulbright US LLP, bond counsel to the Board in connection with the issuance of the Series 2017A Bonds, in the form in which it is to be delivered upon payment for the Series 2017A Bonds, either will be printed on the reverse side of or otherwise attached to the Series 2017A Bonds or will be delivered to DTC if the Series 2017A Bonds are held in book-entry only form; and the use of the lithographed or printed facsimile signatures of the Executive Administrator to certify to the correctness of such copy is hereby authorized.

**Section 4.03. Printing of Statement of Insurance.** The Board hereby authorizes the printer of the Series 2017A Bonds to print thereon any statement of insurance with respect to the Series 2017A Bonds furnished by any municipal bond insurance company insuring the Series 2017A Bonds.

END OF ARTICLE IV

## ARTICLE V

**SECURITY AND PAYMENT OF BONDS;  
ESTABLISHMENT AND FLOW OF FUNDS**

**Section 5.01. General Obligations.** The Bonds shall constitute general obligations of the State pursuant to Section 49-d-8, 49-d-9 and 49-d-11, and for the faithful performance in proper time and manner of each official or other act required and necessary to provide for the prompt payment of principal of and premium, if any, and interest on each of the Bonds when due, the full faith and credit of the State and, in the manner herein provided, the resources of the Board are hereby pledged.

**Section 5.02. Confirmation of Texas Water Development Fund II.** It is found, determined and confirmed that Development Fund II has been established in the State Treasury. Pursuant to the Act, Development Fund II shall contain the State Participation Account, the Economically Distressed Areas Program Account and the Financial Assistance Account. In addition, Development Fund II may contain such additional accounts as the Board determines are necessary and convenient for the administration of Development Fund II.

**Section 5.03. Confirmation of Constitutional and Statutory Funds.**

(a) **Section 49-d-8 and Legislative Powers.** All Bond proceeds (other than proceeds to be used to refund outstanding bonds or other obligations) shall be deposited in the State Treasury to the credit of the Financial Assistance Account. Section 49-d-8 provides that accounts within Development Fund II shall consist of certain identified items, and Subsection (g) of Section 49-d-8 further states that:

“Section 49-d-8 being intended only to establish a basic framework and not to be a comprehensive treatment of the Texas Water Development Fund II, there is hereby reposed in the legislature full power to implement and effectuate the design and objects of Section 49-d-8, including the power to delegate such duties, responsibilities, functions, and authority to the Texas Water Development Board as it believes necessary.”

(b) **Financial Assistance Account.** Consistent with the Act and Section 49-d-8, the “Texas Water Development Fund II Water Financial Assistance Account” (the “**Financial Assistance Account**”) shall receive such moneys as described below, and the moneys therein shall be used as described below:

(i) Money and Assets Attributable to Bonds designated by the Board as issued for Water Assistance Projects;

(ii) payments received under a Bond Enhancement Agreement with respect to Bonds designated by the Board as issued for Water Assistance Projects;

(iii) investment income earned on money on deposit in the Financial Assistance Account; and

(iv) any other funds, regardless of their source, that the Board directs be deposited to the credit of the Financial Assistance Account.

Except for those moneys that the Board determines are unavailable for such purpose, moneys on deposit in the Financial Assistance Account shall be used to pay principal of and interest on the Bonds. The Board may use moneys on deposit in the Financial Assistance Account for Water Assistance Projects in any manner that the Board determines necessary for the administration of the Financial Assistance Account, consistent with the provisions of Section 49-d-8 and the laws of the State, including specifically the Act, and this Resolution. Moneys on deposit in the Financial Assistance Account may also be used for payment of the expenses of the Board incurred in connection with the issuance of the Bonds and the administration of Development Fund II.

(c) Bond Payment Account. The Board has established in the State Treasury the "Texas Water Development Fund II Water Financial Assistance Bond Payment Account" (the "**Bond Payment Account**"), as a special account into which shall be deposited in the manner, within the time limits, and from sources as prescribed in Sections 5.04 and 5.05, amounts sufficient to pay when due the principal of and premium, if any, and interest payable on the Bonds, including, to the extent determined by the Board, amounts sufficient to make payments, if any, by the Board under one or more Bond Enhancement Agreements with respect to principal of or interest on such Bonds.

#### **Section 5.04. Flow of Funds For Debt Service.**

(a) Transfers for Payments of Bonds. While and so long as any Bond is Outstanding, on or before the date interest or interest and principal on the Bonds is scheduled to become due and payable, the Board shall cause to be transferred, from the moneys available for such purpose in the Financial Assistance Account, to the Bond Payment Account an amount which shall be sufficient to pay the principal of and premium, if any, and interest on the Bonds, including, to the extent determined by the Board, an amount which shall be sufficient to make payments by the Board under one or more Bond Enhancement Agreements with respect to principal of or interest on such Bonds, when such interest or principal and interest, and premium, if any, or such payments, if any, become due and payable, with allowance being made for moneys currently on deposit in the Bond Payment Account and available to make such payments.

(b) Notice to Comptroller of Insufficient Funds. If the Executive Administrator or the designee thereof determines within fifteen (15) days of an interest or principal payment date that the money available in the Financial Assistance Account for transfer to the Bond Payment Account, as described in subsection (a) of this Section 5.04, is not sufficient to pay the principal of, premium, if any, and interest on the Bonds which then are Outstanding and are scheduled to be due and payable on such interest or principal payment date, including, to the extent determined by the Board, an amount which shall be sufficient to make payments by the Board under one or more Bond Enhancement Agreements with respect to principal of or interest on such Bonds, it is hereby made the duty of the Executive Administrator or the designee thereof to request the Comptroller to deposit in the Bond Payment Account out of the first moneys coming into the State Treasury, not later than three (3) days prior to such interest or principal payment date, or as soon thereafter as sufficient money shall have been received in the State Treasury, an amount sufficient so that the total amount in the Bond Payment Account will be sufficient to pay the principal, premium, if any, and interest to mature and come due on such interest or principal payment date, or to make any payments by the Board, to the extent determined by the Board, under any Bond Enhancement Agreement with respect to principal of or interest on such Bonds, and to pay all collection and exchange charges in connection therewith.

(c) Use of Remaining Moneys. After making the transfers for the benefit of the Bond Payment Account as provided above in this Section, other available moneys remaining in the Financial Assistance Account may, at the direction of the Board, be used for all of the purposes for which the Board may expend moneys in the Financial Assistance Account under Section 49-d-8.

(d) Bond Enhancement Agreement. Payments to be made by the Board under the terms of a Bond Enhancement Agreement shall be governed by the resolution adopted by the Board authorizing the execution and delivery of such Bond Enhancement Agreement.

(e) Transfers Upon Board Resolution. Anything contained in this Section to the contrary notwithstanding, money in the Financial Assistance Account representing proceeds from a series of Bonds, prepayments of financial assistance provided from the Financial Assistance Account, or proceeds from the sale or other disposition of the Board's rights to receive repayment of such financial assistance shall not be available for transfer to the Bond Payment Account unless by resolution the Board specifically authorizes the transfer of any such proceeds or prepayments so identified in said resolution to the Bond Payment Account. Proceeds from the Series 2017A Bonds shall be deposited to the Bond Payment Account to the extent specified in the Approval Certificate.

**Section 5.05. Constitutional Provisions for Debt Payment.** The Board recognizes the absolute and ultimate obligation of the State to provide during each Fiscal Year all money necessary for the payment of the principal of and premium, if any, and interest on the Bonds, including payments by the Board under one or more Bond Enhancement Agreements with respect to principal of or interest on such Bonds, when such interest or principal and interest become due, out of the first moneys coming into the State Treasury, in such Fiscal Year, not otherwise appropriated by the State Constitution, as set forth in Subsection (e) of Section 49-d-8, as follows:

“... If there is not enough money in any account available to pay the principal of and interest on the general obligation bonds issued for such account, including money to make payments by the Texas Water Development Board under a bond enhancement agreement as authorized by law with respect to principal of or interest on such bonds, there is appropriated out of the first money coming into the state treasury in each fiscal year not otherwise appropriated by this constitution an amount that is sufficient to pay the principal of and interest on such general obligation bonds that mature or become due during that fiscal year or to make bond enhancement payments with respect to those bonds.”

**Section 5.06. Deposit and Transfer of Funds - Duties of Comptroller.** The Comptroller is hereby authorized and directed to make the deposits and transfers required under all provisions of the Board resolutions authorizing the Bonds, including this Resolution. The Comptroller is hereby authorized and directed to do all things necessary or convenient to make current funds available at the place of payment for the Bonds (including the Designated Payment/Transfer Office of the Paying Agent/Registrar for the Series 2017A Bonds) to pay principal of and interest on all Bonds as they mature and come due and to provide such current funds as are required for the redemption thereof prior to maturity, or to make any payments under one or more Bond Enhancement Agreements with respect to principal or interest on such Bonds, all in accordance with their respective authorizing resolution. It is made the duty of the Comptroller to make such deposits and transfers as are required in instances wherein the Board exercises its option to call Bonds for payment prior to maturity. Remittances to the place of

payment for the Bonds (including the Paying Agent/Registrar for the Series 2017A Bonds) of money for payment of principal and interest or for redemption of Bonds must be made in accordance with the provisions hereof.

**Section 5.07. Payment of Bonds.** The Board hereby covenants that it shall establish procedures with the Comptroller whereby sufficient moneys shall be withdrawn from the Bond Payment Account and forwarded to the place of payment for the Bonds (including the Paying Agent/Registrar for the Series 2017A Bonds) for the payment of interest on and principal of the Bonds, and any premium thereon, becoming due on each interest or principal and interest payment date. The Board further covenants that it shall establish procedures with the Comptroller whereby sufficient moneys shall be withdrawn from the Bond Payment Account and forwarded to the place of payment for the payments, if any, to be made under one or more Bond Enhancement Agreements with respect to the principal or interest on such Bonds. In addition, the Board covenants that such moneys shall be forwarded to the place of payment for the Bonds (including the Designated Payment/Transfer Office of the Paying Agent/Registrar for the Series 2017A Bonds), or the place of payment for such payments, if any, to be made under any such Bond Enhancement Agreement, no later than each such interest or principal payment date.

**Section 5.08. Cooperation with State Officers.** It is the duty of the Board, its officers, employees and agents (who are hereby so authorized and directed) to cooperate with and aid the Comptroller in calculating the amounts to be deposited in, or transferred to, the appropriate accounts and in ascertaining the amounts to be remitted to the place of payment for the Bonds (including the Designated Payment/Transfer Office of the Paying Agent/Registrar for the Series 2017A Bonds), or the place of payment for such payments, if any, to be made under any such Bond Enhancement Agreement.

**Section 5.09. Investment of Funds.** All money in Development Fund II and the accounts created therein that is not immediately committed to the purposes thereof or the payment of the Bonds issued for any such account may be invested by the Board in Eligible Investments, and the Board may sell any Eligible Investment at the governing market rate.

END OF ARTICLE V

## ARTICLE VI

### COVENANTS AND REMEDIES

**Section 6.01. Special Covenant.** The Board covenants that it will faithfully and promptly deposit into the Financial Assistance Account all money received from the repayment of obligations acquired from Political Subdivisions with moneys from the Financial Assistance Account.

**Section 6.02. Covenants to Maintain Tax-Exempt Status.**

(a) Definitions. When used in this Section, the following terms have the following meanings:

“**Closing Date**” means the date on which the Common Issue Bonds are first authenticated and delivered to the initial purchasers against payment therefor.

“**Computation Date**” has the meaning set forth in Section 1.148-1(b) of the Regulations.

“**Gross Proceeds**” means any proceeds as defined in Section 1.148-1(b) of the Regulations, and any replacement proceeds as defined in Section 1.148-1(c) of the Regulations, of the Common Issue Bonds.

“**Investment**” has the meaning set forth in Section 1.148-1(b) of the Regulations.

“**Nonpurpose Investment**” means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the Common Issue Bonds are invested and which is not acquired to carry out the governmental purposes of the Common Issue Bonds.

“**Rebate Amount**” has the meaning set forth in Section 1.148-1(b) of the Regulations.

“**Regulations**” means any proposed, temporary, or final Income Tax Regulations issued pursuant to Sections 103 and 141 through 150 of the Code, and 103 of the Internal Revenue Code of 1954, which are applicable to the Common Issue Bonds. Any reference to any specific Regulation shall also mean, as appropriate, any proposed, temporary or final Income Tax Regulation designed to supplement, amend or replace the specific Regulation referenced.

“**Yield**” of

(i) any Investment has the meaning set forth in Section 1.148-5 of the Regulations; and

(ii) the Common Issue Bonds has the meaning set forth in Section 1.148-4 of the Regulations.

(b) Not to Cause Interest to Become Taxable. The Board shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition,

construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner which if made or omitted, respectively, would cause the interest on any Common Issue Bond to become includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Board receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Common Issue Bond, the Board shall comply with each of the specific covenants in this Section.

(c) No Private Use or Private Payments. Except as permitted by section 141 of the Code and the Regulations and rulings thereunder, the Board shall at all times prior to the last stated maturity of the Common Issue Bonds:

(1) take any action necessary to assure that state or local governments exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Common Issue Bonds (including property financed or refinanced with Gross Proceeds of the Refunded Bonds), and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(2) take any action necessary to assure that state or local governments do not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the Common Issue Bonds or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds (including property financed or refinanced with Gross Proceeds of the Refunded Bonds), other than taxes of general application within the Board or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(d) No Private Loan. Except to the extent permitted by section 141 of the Code and the Regulations and rulings thereunder, the Board shall not use Gross Proceeds of the Common Issue Bonds and shall take any action necessary to assure that Gross Proceeds of the Common Issue Bonds are not used to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be "loaned" to a person or entity if: (1) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes; (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or any property acquired, constructed or improved with such Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

(e) Allocation of, and Limitation on, Expenditures for Loans to Political Subdivisions. The Board shall account for the expenditure of the proceeds from the sale of the Common Issue Bonds and any investment earnings thereon to be used for the purposes described in Section 2.01 on its books and records in accordance with the requirements of the Code. The Board shall take steps to assure that the proceeds of each loan of Gross Proceeds to Political



Subdivisions are used and invested in a manner consistent with the Board's covenants in this Section 6.02, including obtaining from each borrower representations and covenants with respect to compliance with the requirements applicable to tax-exempt obligations under the Code and the Regulations, and receiving a legal opinion from legal counsel to each borrower to the effect that the interest on such loan is excludable from gross income for federal income tax purposes pursuant to section 103 of the Code. The Board agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Common Issue Bonds.

(f) Disposition of Loans to Political Subdivisions. Loans to Political Subdivisions will not be sold or otherwise disposed in a transaction resulting in the receipt by the Board of cash or other compensation, unless the Board obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Common Issue Bonds, the proceeds of which were used to make such loans. The Board shall assure that Political Subdivisions, or any related persons thereto, will be prohibited from purchasing the Common Issue Bonds or a portion thereof in an amount related to the amount of the loan to be acquired by the Board from any such Political Subdivision.

(g) Not to Invest at Higher Yield. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the Board shall not at any time prior to the final stated maturity of the Common Issue Bonds directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, exceeds the Yield of the Common Issue Bonds.

(h) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Regulations and rulings thereunder, the Board shall not take or omit to take any action which would cause the Common Issue Bonds to be federally guaranteed within the meaning of section 149(b) of the Code and the Regulations and rulings thereunder.

(i) Information Report. The Board shall timely file the information required by section 149(e) of the Code with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(j) Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Regulations and rulings thereunder:

(1) The Board shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last outstanding Common Issue Bond is discharged.

(2) Not less frequently than each Computation Date, the Board shall calculate the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Regulations and rulings thereunder. The Board shall maintain such calculations with its official transcript of proceedings relating to the issuance of the Common Issue Bonds until six years after the final Computation Date.

(3) As additional consideration for the purchase of the Common Issue Bonds by the Purchasers and the loan of the money represented thereby and in order to induce such purchase by measures designed to insure the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, the Board shall pay to the United States the amount that when added to the future value of previous rebate payments made for the Common Issue Bonds equals (i) in the case of a Final Computation Date as defined in Section 1.148-3(e)(2) of the Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, the rebate payments shall be made at the times, in the installments, to the place and in the manner as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by Section 148(f) of the Code and the Regulations and rulings thereunder. In order to facilitate compliance with this covenant, a "Rebate Fund" is hereby established by the Board for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other Person, including, without limitation, any bondholder. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(4) The Board shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (2) and (3), and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under Section 1.148-3(h) of the Regulations.

(k) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the Board shall not, at any time prior to the earlier of the Stated Maturity or final payment of the Common Issue Bonds, enter into any transaction that reduces the amount required to be paid to the United States pursuant to Subsection (j) of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield of the Common Issue Bonds not been relevant to either party.

(l) Costs of Issuance. Payment of costs of issuance on the Common Issue Bonds will not be contingent and at least 95 percent of the reasonably expected costs of issuance of the Common Issue Bonds will be paid no later than 180 days after the Closing Date.

(m) Elections. The Board hereby directs and authorizes the Executive Administrator and the Chief Financial Officer of the Board, either or any combination of them, to make elections permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Common Issue Bonds, in the Certificate as to Tax Exemption or similar or other appropriate certificate, form or document.

(n) Current Refunding. The Series 2017A Bonds are being issued in part to pay and discharge in full the Refunded Bonds and such payment of the Refunded Bonds will occur within ninety (90) days after the issuance of the Series 2017A Bonds.

**Section 6.03. Creation of Accounts and Subaccounts.** The Board covenants that it will maintain within the funds and accounts described in Section 5.03 such accounts and

subaccounts as the Board, in cooperation with the Comptroller, determines necessary for the convenient and efficient administration of such funds and accounts so as not to commingle moneys derived from the issuance of or dedicated to the payment of bonds or other obligations issued by the Board, the interest on which is exempt from federal income taxation under the applicable provisions of the Code.

**Section 6.04. Remedies of Bondholders.** All rights available to the owners of the Bonds under the Constitution and the laws of the State, including, without limitation, Section 17.970, Texas Water Code, to compel the performance of their official duties by the Board, its officers and employees, and by other officers of the State to the end that the principal of and interest on the Bonds may be paid promptly, are hereby recognized.

**Section 6.05. Bond Enhancement Agreements.** Pursuant to authority granted to the Board by Section 17.954, Texas Water Code, the Board reserves the right at any time and from time to time to enter into one or more Bond Enhancement Agreements that the Board hereafter determines to be necessary or appropriate to place the obligation of the Board, as represented by the Series 2017A Bonds, in whole or in part, on the interest rate, currency, cash flow, or other basis desired by the Board.

END OF ARTICLE VI

## ARTICLE VII

### SUPPLEMENTS AND AMENDMENTS

#### **Section 7.01. Amendment of Resolution with Consent of Registered Owners.**

(a) Amendments Requiring Consent. The registered owners of Series 2017A Bonds aggregating in principal amount 51% of the aggregate principal amount or maturity amount, as the case may be, of the Series 2017A Bonds at the time Outstanding (but not including in any case Series 2017A Bonds which may then be held or owned by or for the account of the Board) shall have the right from time to time to approve an amendment of this Resolution which may be deemed necessary or desirable by the Board; *provided, however*, that nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions contained in this Resolution or in the Series 2017A Bonds so as to:

- (i) make any change in the maturity of any of the Series 2017A Bonds;
- (ii) reduce the rate of interest borne by any of the Series 2017A Bonds;
- (iii) reduce the principal amount or maturity amount, as applicable, payable on any of the Series 2017A Bonds;
- (iv) modify the terms of payment of principal of or interest on any Series 2017A Bond, or impose any conditions with respect to such payment;
- (v) change the minimum percentage of the principal amount or maturity amount, as the case may be, of the Series 2017A Bonds necessary for consent to such amendment; or
- (vi) affect the rights of the registered owners of less than all of the Series 2017A Bonds then Outstanding;

unless such amendment or amendments be approved by the registered owners of all of the Series 2017A Bonds at the time Outstanding.

(b) Notice. If at any time the Board shall desire to amend this Resolution under this Section, the Board shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in the City of New York, New York, or the City of Austin, Texas, once during each calendar week for at least four (4) successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of the Board and the designated office of the Paying Agent/Registrar for inspection by all registered owners of Series 2017A Bonds. Such publication is not required, however, if notice in writing is given to each registered owner.

(c) Adoption of Amendatory Resolution. Whenever at any time, within one (1) year from the date of this publication of said notice or other service of written notice, the Board shall receive an instrument or instruments executed by the registered owners of at least 51% in aggregate principal amount or maturity amount, as the case may be, of Series 2017A Bonds then Outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in

substantially the form of the copy thereof on file with the Paying Agent/Registrar, the Board may adopt the amendatory resolution in substantially the same form.

(d) Effectiveness of Consents. Any consent given by the registered owner of a Series 2017A Bond pursuant to the provisions of this Resolution shall be irrevocable for a period of six (6) months from the date of the first publication or mailing of the notice provided for in this Resolution, and shall be conclusive and binding upon all future registered owners of the same Series 2017A Bond during such period. Such consent may be revoked at any time after six (6) months from the date of the first publication or mailing of such notice by the registered owner who gave such consent, or by a successor in title, by filing notice of such revocation with the Paying Agent/Registrar and the Board, but such revocation shall not be effective if the registered owners of 51% in aggregate principal amount or maturity amount, as applicable, of the Series 2017A Bonds Outstanding as in this Section defined have, prior to the attempted revocation, consented to and approved the amendment.

(e) Proof of Ownership. For the purposes of this Section, proof of ownership of any Series 2017A Bond shall be established by the registration of any such Series 2017A Bond on the Registration Books kept and maintained by the Paying Agent/Registrar.

**Section 7.02. Amendment of Resolution Without Consent of Registered Owners.**

(a) Amendments Not Requiring Consent. The foregoing provisions of this ARTICLE VII notwithstanding, the Board may, without the consent of the registered owners, pursuant to an amendatory resolution, from time to time:

(i) impose conditions or restrictions additional to, but not in diminution of, those contained in this Resolution, respecting the issuance of Bonds;

(ii) undertake covenants additional to but not inconsistent with those contained in this Resolution;

(iii) correct any ambiguity or correct or supplement any inconsistent or defective provision contained in this Resolution or any amendatory resolution;

(iv) adopt amendments to this Resolution that provide for the payment of principal of and interest on the Bonds or the payment of administrative expenses of the Board from Bond proceeds; or

(v) adopt amendments to this Resolution (including specifically, without limitation, amendments under authority of Section 6.02 and 9.03) that, in the opinion of nationally-recognized bond counsel acceptable to the Board, do not adversely affect the registered owners.

(b) Specific Amendments not Requiring Consent. In addition to the foregoing, the Board expressly reserves the right, without prior notice to or consent from the registered owners of the Bonds, to amend the provisions of ARTICLE V of this Resolution to reflect subsequent amendments to the State Constitution and the Act, including, without limitation, amendments altering:

(i) the administration of Development Fund II;

- (ii) the accounts within Development Fund II;
- (iii) the deposit or application of moneys received by the Board as repayments of loans to Political Subdivisions and interest on those loans, or proceeds from the sale, transfer or lease of facilities held for any account within Development Fund II;
- (iv) the use of the proceeds of the Bonds;
- (v) the rights, duties and obligations of the Comptroller as specified in ARTICLE V;
- (vi) the procedure for payment of the Bonds;
- (vii) the payment of expenses of administering Development Fund II and other authorized expenses of the Board; or
- (viii) the administration of the Water Infrastructure Fund;

*provided, however, that such amendments to this Resolution can be made only if:*

(A) the Board receives an opinion of nationally-recognized bond counsel acceptable to the Board to the effect that such amendments comply with the Act, that the Bonds continue to be general obligations of the State and the State Constitution provides for appropriation out of the first money coming into the State Treasury in each Fiscal Year, not otherwise appropriated by the State Constitution, of an amount sufficient to pay the principal of and interest on the Bonds that mature or become payable during that Fiscal Year, to the extent the same are not otherwise paid from funds pledged to their payment;

(B) bond counsel acceptable to the Board renders an opinion substantially to the effect that any such amendment will not adversely affect the excludability of interest on any tax-exempt Bonds from gross income for federal income tax purposes; and

(C) each nationally-recognized securities rating agency that issued a rating at the time the Bonds were initially delivered to the underwriters thereof and that has a then existing rating thereon confirms in writing that subsequent to any such amendment, the Bonds will continue to be rated as general obligation bonds of the State.

(c) Notice. If the Board so amends this Resolution as provided in subsection (b) above, it shall cause notice of such amendment to be published one (1) time in a financial newspaper or journal of general circulation in the City of New York, New York, or the City of Austin, Texas. Such notice shall contain a summary of the amendatory language, recite that the conditions set forth in clauses (A), (B) and (C) of subsection (b) have been satisfied, and recite the effective date of such amendment. Such notice shall be published within thirty (30) days of the effective date of such amendment as set forth in such notice. Such notice shall state that a copy thereof is on file at the principal office of the Board for inspection. Such publication is not required, however, if written notice is given to each registered owner of the Bonds.

**Section 7.03. Effect of Amendatory Resolutions.** Upon the adoption of any amendatory resolution pursuant to the provisions of this Section, this Resolution shall be deemed to be amended in accordance with such amendatory resolution, and the respective rights, duties and obligations of the Board under this Resolution and all the registered owners of Outstanding Series 2017A Bonds shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such amendments.

**Section 7.04. Bonds May Bear Notation.** Series 2017A Bonds authenticated and delivered after the execution of any amendatory resolution pursuant to this ARTICLE VII may bear a notation in form approved by the Paying Agent/Registrar as to any matter provided for in such amendatory resolution. If the Board or the Paying Agent/Registrar shall so determine, new Series 2017A Bonds so modified as to conform, in the opinion of the Board and the Paying Agent/Registrar, to any such amendatory resolution may be prepared and executed by the Board and authenticated and delivered by the Paying Agent/Registrar in exchange for the Series 2017A Bonds then Outstanding.

END OF ARTICLE VII

## ARTICLE VIII

**PROVISIONS CONCERNING SALE OF BONDS****Section 8.01. Issuance and Sale of Bonds.**

(a) Approval Certificate. An Authorized Representative, acting for and on behalf of the Board, shall approve, execute and deliver one or more Approval Certificates, which completed and executed Approval Certificates shall evidence the sale (including the date of such sale) of a series of Series 2017A Bonds by the Board to the Underwriters. The Approval Certificate shall contain a finding substantially to the effect that based on recommendations made to the Authorized Representative by the financial advisor to the Board, the terms of the sale of the Series 2017A Bonds were the most advantageous to the Board reasonably obtained, and the sale of the Series 2017A Bonds is in the best interests of the Board.

(b) Underwriters. Estrada Hinojosa & Company, Inc. is hereby designated as the senior managing underwriter for the Underwriters. The Authorized Representative, acting for and on behalf of the Board, shall select such additional investment banking firms as deemed appropriate to assure that the Series 2017A Bonds are sold on terms advantageous to the Board. For all Series 2017A Bonds to be sold to the Underwriters in accordance with the terms of a Purchase Agreement, the Underwriters' discount may not exceed \$\_\_\_\_\_ per \$1,000 in principal amount thereof.

(c) Purchase Agreement. The Purchase Agreement shall be in substantially the form utilized in connection with the sale of Bonds previously issued by the Board to finance Water Assistance Projects. A Purchase Agreement shall contain the terms of the sale of the Series 2017A Bonds, as negotiated by the Authorized Representative in accordance with the terms hereof. Each Authorized Representative is hereby authorized to execute the Purchase Agreement for and on behalf of the Board. An Authorized Representative's approval of a Purchase Agreement shall be conclusively evidenced by the execution thereof. It is hereby officially found, determined, and declared that the terms of this sale were and are to be negotiated under authority granted by Section 17.955, Texas Water Code.

(d) Ratings. No Series 2017A Bonds shall be delivered unless prior to delivery, the particular series of Series 2017A Bonds shall have been rated by a nationally recognized rating agency for municipal securities in one of the four highest rating categories for long term obligations, as required by Chapter 1371.

(e) Payment of Attorney General Fee. The Board hereby authorizes the payment of the fee of the Attorney General for the examination of the proceedings relating to the issuance of the Series 2017A Bonds, in the amount determined in accordance with the provisions of Section 1202.004, Texas Government Code.

(f) Effect of Determination Made by Authorized Representative. A finding or determination made by an Authorized Representative acting under the authority delegated thereto by this Resolution with respect to all matters relating to the issuance and sale of the Series 2017A Bonds shall have the same force and effect as a finding or determination made by the Board.

**Section 8.02. Official Statement.** Prior to execution of a Purchase Agreement, the Authorized Representative, acting for and on behalf of the Board, shall cause a preliminary



Official Statement to be prepared for distribution by the Underwriters to prospective purchasers of the Series 2017A Bonds sold under the terms of such Purchase Agreement, such document to be in substantially the form utilized in connection with the sale of Bonds previously issued by the Board to finance Water Assistance Projects, with such changes and completions as the Authorized Representative may deem necessary or appropriate to enable the Authorized Representative, acting for and on behalf of the Board, to deem the preliminary Official Statement to be final as of its date, except for such omissions as are permitted by the Rule. Within seven (7) business days after the execution of a Purchase Agreement, the Authorized Representative, acting for and on behalf of the Board, shall cause a final Official Statement to be provided to the Underwriters in compliance with the Rule and the rules of the MSRB.

**Section 8.03. Custody of Bonds.** After the Initial Bond has been executed, it shall be the duty of the Chairman of the Board, or some officer, employee or attorney of the Board acting through authority therefrom, to deliver the Initial Bond to the Attorney General for examination and approval. After the Initial Bond shall have been approved by the Attorney General they shall be delivered to the Comptroller for registration. The Initial Bond thus registered shall remain in the custody of the Chairman of the Board, or some officer, employee or attorney of the Board acting through authority therefrom, or subject to the order of the Chairman, until the sale of the Series 2017A Bonds to the Underwriters on the Date of Delivery.

**Section 8.04. Use of Bond Proceeds.** Proceeds from the sale of Series 2017A Bonds shall, promptly upon receipt by the Board, be deposited to the credit of the funds and accounts described in this Resolution and applied in the manner specified in the Approval Certificate.

END OF ARTICLE VIII

## ARTICLE IX

### CONTINUING DISCLOSURE UNDERTAKING

**Section 9.01. Annual Reports.** The Board shall provide annually to the MSRB, within 195 days after the end of each Fiscal Year ending in or after 2017, financial information and operating data with respect to the Board and the State of the general type included in the final Official Statement authorized by Section 8.02, being the information described in **Exhibit D** hereto. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in **Exhibit D** hereto and (2) audited, if the Board or the State, as appropriate, commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements are not so provided, then the Board shall provide unaudited financial statements within the required time for the applicable Fiscal Year to the MSRB, and audited financial statements when and if audited financial statements become available.

If the Board changes its Fiscal Year, it will notify the MSRB of the change (and of the date of the new Fiscal Year end) prior to the next date by which the Board otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the SEC. All filings shall be made electronically, in the format specified by the MSRB.

**Section 9.02. Disclosure Event Notices.** The Board shall notify the MSRB, in a timely manner not in excess of ten (10) Business Days after the occurrence of any of the following events with respect to the Series 2017A Bonds:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2017A Bonds, or other material events affecting the tax status of the Series 2017A Bonds;
7. Modifications to rights of holders of the Series 2017A Bonds, if material;
8. Series 2017A Bond calls, if material, and tender offers;

9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Series 2017A Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Board;
13. The consummation of a merger, consolidation, or acquisition involving the Board or the sale of all or substantially all of the assets or business of the Board, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material.

As used in clause 12 above, the phrase “bankruptcy, insolvency, receivership or similar event” means the appointment of a receiver, fiscal agent or similar officer for the Board in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Board, or if jurisdiction has been assumed by leaving the Board and officials or officers of the Board in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Board. The Board shall notify the MSRB, in a timely manner, of any failure by the Board to provide financial information or operating data in accordance with Section 9.01 by the time required by such Section.

**Section 9.03. Limitations, Disclaimers, and Amendments.** The Board shall be obligated to observe and perform the covenants specified in this ARTICLE IX for so long as, but only for so long as, the Board or the State remains an “obligated person” with respect to the Series 2017A Bonds within the meaning of the Rule, except that the Board in any event will give the notice required by Section 9.02 of any Series 2017A Bond calls and defeasance that cause the Board and the State to be no longer “obligated persons”.

The provisions of this ARTICLE IX are for the sole benefit of the holders and beneficial owners of the Series 2017A Bonds, and nothing in this ARTICLE IX, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other Person. The Board undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this ARTICLE IX and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Board’s or the State’s financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this ARTICLE IX or otherwise, except as expressly provided herein. The Board does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Series 2017A Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE BOARD BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY SERIES 2017A BOND OR ANY OTHER PERSON, IN

CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE BOARD, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

All documents provided to the MSRB shall be accompanied by identifying information, as prescribed by the MSRB.

No default by the Board in observing or performing its obligations under this ARTICLE IX shall constitute a breach of or default under this Resolution for purposes of any other provision of this Resolution.

Nothing in this ARTICLE IX is intended or shall act to disclaim, waive, or otherwise limit the duties of the Board or the State under federal and State securities laws.

Should the Rule be amended to obligate the Board to make filings with or provide notices to entities other than the MSRB, the Board agrees to undertake such obligation in accordance with the Rule as amended.

The provisions of this ARTICLE IX may be amended by the Board from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Board or the State, but only if (1) the provisions of this ARTICLE IX, as so amended, would have permitted an underwriter to purchase or sell Series 2017A Bonds in the primary offering of the Series 2017A Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the Outstanding Series 2017A Bonds consent to such amendment or (b) a Person that is unaffiliated with the Board and the State (such as nationally-recognized bond counsel) determines that such amendment will not materially impair the interests of the holders and beneficial owners of the Series 2017A Bonds. If the Board so amends the provisions of this ARTICLE IX, it shall include with any amended financial information or operating data next provided in accordance with Section 9.01 an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided. The Board may also amend or repeal the provisions of this continuing disclosure requirement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Series 2017A Bonds in the primary offering of the Series 2017A Bonds.

END OF ARTICLE IX

## ARTICLE X

DEFEASANCE

**Section 10.01. Series 2017A Bonds Deemed Paid.** Any Series 2017A Bond and the interest thereon shall be deemed to be paid, retired and no longer Outstanding (a “**Defeased Bond**”), except to the extent hereinafter provided in this ARTICLE X, when payment of the principal of such Series 2017A Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other similar instrument (the “**Future Escrow Agreement**”) for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Board with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable. At such time as a Series 2017A Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Series 2017A Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Financial Assistance Account, and such principal and interest shall be payable solely from such money or Defeasance Securities. Notwithstanding any other provision of this Resolution to the contrary, it is hereby provided that any determination not to redeem Defeased Bonds that is made in conjunction with the payment arrangements specified in clauses (i) or (ii) above shall not be irrevocable; provided, that in the proceedings providing for such payment arrangements, the Board (1) expressly reserves the right to call the Defeased Bonds for redemption; (2) gives notice of the reservation of that right to the owners of the Defeased Bonds immediately following the making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes.

**Section 10.02. Investment in Defeasance Securities.** Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the Board be invested in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent/Registrar that is not required for the payment of the Series 2017A Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Board, or deposited as directed in writing by the Board. Any Future Escrow Agreement pursuant to which the money and/or Defeasance Securities are held for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of the requirements specified in clauses (i) or (ii) of Section 10.01. All income from such Defeasance Securities received by the Paying Agent/Registrar which is not required for the payment of the Defeased Bonds, with respect to which such money has been so deposited, shall be remitted to the Board or deposited as directed in writing by the Board.

**Section 10.03. Paying Agent/Registrar Services.** Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the Board shall make proper arrangements to provide and pay for such services as required by this Resolution.

**Section 10.04. Selection of Series 2017A Bonds for Defeasance.** In the event that the Board elects to defease less than all of the principal amount of Series 2017A Bonds of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Series 2017A Bonds by such random method as it deems fair and appropriate and consistent with the terms of this Resolution.

END OF ARTICLE X

**ARTICLE XI****MATTERS RELATING TO THE REFUNDED BONDS**

**Section 11.01. Purpose for Refunding.** The Board hereby finds that the refunding of the Refunded Bonds is in the public interest as it enables the Board to produce a net present value savings. An Authorized Representative shall execute and deliver an Approval Certificate setting forth the amount of net present value savings realized as a result of the refunding of the Refunded Bonds, evidencing that the minimum savings threshold established in Section 2.01(c) of this Resolution has been met.

**Section 11.02. Escrow Agreement.** The Chairman and the Executive Administrator are hereby authorized to execute the Escrow Agreement, in substantially the form attached to this Resolution as Exhibit E. In the alternative, an Authorized Representative is authorized to select and appoint an escrow agent for the refunding of the Refunded Bonds, and any escrow agent so selected and appointed shall be designated in the Approval Certificate. The Chairman and the Executive Administrator are hereby authorized to execute and deliver one or more escrow agreements in a form approved by the Authorized Representative. Each Authorized Representative is hereby authorized to take such steps as may be necessary to effect the terms and conditions of the Escrow Agreement or an escrow agreement.

**Section 11.03. Redemption of Refunded Bonds.** Upon the execution of the Purchase Agreement, the Refunded Bonds identified in the Approval Certificate to be redeemed are hereby declared to be called for redemption on the redemption date or dates identified in the Approval Certificate, consistent with the provisions set forth in the respective proceedings authorizing their issuance with respect to the redemption of bonds at the option of the Board. In connection with the prior redemption of any of the Refunded Bonds as may be provided for in the Approval Certificate, the Authorized Representative is hereby directed to coordinate with the paying agent for the series of Refunded Bonds so called for redemption to give notice of such redemption, in substantially the form attached to this Resolution as Exhibit F, in accordance with the applicable terms of the resolution that authorized such series of Refunded Bonds. In addition, the Authorized Representative is hereby directed to take such steps as may be necessary to provide registered owners of the Refunded Bonds notice that the obligations owned thereby have been escrowed to maturity or prior redemption.

END OF ARTICLE XI

## ARTICLE XII

**MISCELLANEOUS PROVISIONS**

**Section 12.01. Further Procedures.** The Chairman, the Executive Administrator, the Development Fund Manager, the General Counsel of the Board, the Chief Financial Officer, and/or any other officers of the Board and each of them, shall be and they are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the seal of the Board and on behalf of the Board all agreements, instruments, or such other documents, whether mentioned herein or not, as may be necessary or desirable in order to carry out the terms and provisions of this Resolution, and the initial sale and delivery of the Series 2017A Bonds. In addition, prior to the initial delivery of the Series 2017A Bonds, the Chairman, the Executive Administrator, the Development Fund Manager, the Chief Financial Officer, and/or the General Counsel of the Board and the Board's Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Resolution or to any of the instruments authorized and approved by this Resolution: (i) in order to cure any technical ambiguity, formal defect, or omission in the Resolution or such other document; or (ii) as requested by the Attorney General or his representative to obtain the approval of the Series 2017A Bonds by the Attorney General and if such officer or counsel determines that such ministerial changes are consistent with the intent and purpose of the Resolution, which determination shall be final. In the event that any officer of the Board whose signature shall appear on any document shall cease to be such officer before the delivery of such document, such signature nevertheless shall be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

**Section 12.02. Open Meeting; Notice.** It is hereby officially found and determined that the meeting at which this Resolution is adopted is open to the public as required by law at all times during which this Resolution and the subject matter thereof are discussed, considered and formally acted upon; and reasonable notice of this meeting was delivered to the Secretary of State of the State, as required by Chapter 551.

**Section 12.03. Prior Actions.** All actions taken by the Board authorizing the issuance of the Series 2017A Bonds are in all things approved, ratified and confirmed, except that to the extent such actions conflict with any provision of this Resolution, the terms and provisions of this Resolution shall control and prevail.

**Section 12.04. Perfection of Security Interest in Pledge.** Chapter 1208 applies to the issuance of the Series 2017A Bonds and the pledge of the credit of the State made pursuant to Section 49-d-8, and such pledge is therefore valid, effective, and perfected. If State law is amended at any time while the Series 2017A Bonds are Outstanding and unpaid such that such pledge is to be subject to the filing requirements of Chapter 9, then in order to preserve to the registered owners of the Series 2017A Bonds the perfection of the security interest in said pledge, the Board agrees to take such measures as it determines are reasonable and necessary under State law to comply with the applicable provisions of Chapter 9 and enable a filing to perfect the security interest in said pledge to occur.

END OF ARTICLE XII



ADOPTED AND APPROVED this the \_\_\_\_ day of \_\_\_\_\_, 2017.

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Bech K. Bruun, Chairman  
Texas Water Development Board

ATTEST:

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Jeff Walker, Executive Administrator  
Texas Water Development Board

(SEAL)

## SCHEDULE I

**LIST OF DEVELOPMENT FUND BONDS CURRENTLY OUTSTANDING**

<b>Series</b>	<b>Bond Date</b>	<b>Original Principal Amount</b>	<b>Purpose</b>
2007A	9/12/07	118,465,000	Refunding Development Fund II Bonds
2007B	8/7/07	19,680,000	Refunding State Participation Bonds
2007C	8/7/07	24,665,000	EDAP Projects
2007D	10/30/07	25,000,000	Water Assistance Projects
2008A	5/22/08	112,920,000	Water Assistance Projects (WIF)
2008B	1/06/09	26,510,000	Refunding Development Fund II Bonds
2008C	1/06/09	34,235,000	Refunding EDAP Bonds
2009, S/s 2009-A*	3/10/09	144,995,000	Water Assistance Projects (WIF)
2009, S/s 2009-B*	5/28/09	157,240,000	Water Assistance Projects (WIF)
2009C-1	6/30/09	225,385,000	Water Assistance Projects
2009C-2	6/30/09	57,260,000	Refunding Development Fund II Bonds
2009D	6/30/09	49,775,000	Refunding State Participation Bonds
2009E	12/15/09	101,400,000	Water Assistance Projects (WIF)
2009F	12/15/09	24,540,000	EDAP Projects
2010A	4/13/10	20,270,000	Water Assistance Projects
2010B	5/11/10	143,225,000	Water Assistance Projects (WIF)
2010C	5/11/10	42,280,000	State Participation Projects
2010D	11/2/10	32,350,000	EDAP Projects
2011A	6/14/11	129,540,000	Water Assistance Projects (WIF)
2011B	10/4/11	92,255,000	Water Assistance Projects
2012A	2/7/12	39,930,000	Water Assistance Projects (WIF)
2012B	2/7/12	14,955,000	EDAP Projects
2012C	4/10/12	149,645,000	Water Assistance Projects
Taxable 2012D	5/30/12	15,725,000	Refunding EDAP Bonds
Taxable 2012E	5/30/12	22,215,000	Refunding State Participation Bonds
2012F	9/5/12	29,385,000	EDAP Projects

<b>Series</b>	<b>Bond Date</b>	<b>Original Principal Amount</b>	<b>Purpose</b>
2012G	10/2/12	156,065,000	Water Assistance Projects
2013A	2/12/13	42,470,000	Water Assistance Projects (WIF)
2013B	8/1/13	56,515,000	Water Assistance Projects
2013C	8/1/13	32,215,000	Refunding Development Fund II Bonds
2013D	12/19/13	20,000,000	State Participation Projects
2013E	12/19/13	15,095,000	Refunding EDAP Bonds
2013F	12/19/13	27,295,000	Refunding Development Fund II Bonds
2013G	12/19/13	73,465,000	Refunding Development Fund II Bonds
2015A S/s**	2/5/15	33,045,000	Refunding Development Fund II Bonds
2015B S/s**	2/5/15	69,985,000	Refunding Development Fund II Bonds
2015C S/s **	2/5/15	16,915,000	Refunding EDAP Bonds
2015E	6/18/15	43,715,000	EDAP Projects
2015F	6/18/15	37,790,000	Water Assistance Projects
2015G	6/18/15	11,415,000	Water Assistance Projects
2015D	11/24/15	234,795,000	Water Assistance Projects
2016A	7/14/16	45,735,000	EDAP Projects
2016B S/s ***	7/14/16	157,175,000	Water Assistance Projects and Refunding Development Fund II Bonds
2016C S/s ****	7/14/16	31,435,000	Refunding EDAP Bonds
2016D	7/14/16	11,550,000	Refunding State Participation Bonds

\* "S/s 2009-A" refers to Sub-series 2009-A of the Series 2009 Bonds; "S/s 2009-B" refers to Sub-series 2009-B of the Series 2009 Bonds.

\*\* With respect to Series 2015A Bonds, Series 2015B Bonds and Series 2015C Bonds, each series had two subseries designated as "-1" and "-2".

\*\*\* With respect to Series 2016B Bonds, this series had three subseries designated as "-1", "-2" and "-3".

\*\*\*\* With respect to Series 2016C Bonds, this series had two subseries designated as "-1" and "-2".

**SCHEDULE II**  
**Refundable Bonds**

**\$118,465,000**  
**State of Texas**  
**Water Financial Assistance Refunding Bonds,**  
**Series 2007A**

<b>Maturity Date</b>		<b>Principal Amount</b>
<b><u>(August 1)</u></b>	<b><u>Interest Rate (%)</u></b>	<b><u>Refunded (\$)</u></b>
2018	5.00	11,320,000
2019	5.00	9,950,000
2020	5.00	2,985,000
2021	5.00	3,005,000
2022	5.00	2,125,000
		<b><u>29,385,000</u></b>

**LIST OF EXHIBITS**

<b>Exhibit A</b>	Approval Certificate
<b>Exhibit B</b>	Form of Bond
<b>Exhibit C</b>	Paying Agent/Registrar Agreement
<b>Exhibit D</b>	Description of Annual Financial Information of the Board
<b>Exhibit E</b>	Escrow Agreement
<b>Exhibit F</b>	Notice of Redemption

**EXHIBIT A  
APPROVAL CERTIFICATE**

See Tab \_\_

**EXHIBIT B  
FORM OF BOND:**

NO. R-

\$ \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF TEXAS  
WATER FINANCIAL ASSISTANCE AND REFUNDING BOND,  
SERIES 2017A

MATURITY DATEINTEREST RATE  
%DATED DATE  
\_\_\_\_\_, 2017CUSIP

Registered Owner:

Principal Amount:

ON THE MATURITY DATE SPECIFIED ABOVE, THE STATE OF TEXAS, ACTING BY AND THROUGH THE TEXAS WATER DEVELOPMENT BOARD (the "Board"), hereby promises to pay to the registered owner specified above, or to the registered assignees hereof (either being hereinafter called the "registered owner") the principal amount specified above and to pay interest thereon, from the dated date of this Bond specified above, to the date of its scheduled maturity or date of redemption, prior to its scheduled maturity, at the rate of interest per annum specified above, with said interest being payable on August 1, 20\_\_\_\_, and semiannually on each February 1, and August 1, thereafter, except that if the Paying Agent/Registrar's Authentication Certificate appearing on the face of this Bond is dated later than \_\_\_\_\_, 2017, such interest is payable semiannually on each \_\_\_\_\_, and \_\_\_\_\_, following such date of authentication.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption, prior to its scheduled maturity, at the corporate trust office of The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent/Registrar") in Dallas, Texas (the "Designated Payment/Transfer Office"). The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof as shown on the registration books kept by the Paying Agent/Registrar at the close of business on the fifteenth day of the month next preceding such interest payment date (the "Record Date") by check drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Board required to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, postage prepaid, on each such interest payment date, to the registered owner of record on the Record Date at its address as it appears on the registration books kept by the Paying Agent/Registrar, as hereinafter described. The Board covenants with the registered owner of this Bond that no later than each principal payment date and interest payment date for this Bond it will make available to the Paying Agent/Registrar the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Series 2017A Bonds when due.

INTEREST ON THE SERIES 2017A BONDS shall be computed on the basis of a 360-day year of twelve 30-day months.

ANY PAYMENTS REQUIRED to be made hereunder on any day which is not a Business Day (as defined below) shall be made instead on the next succeeding Business Day and no interest shall accrue on such payments in the interim. "Business Day" means a day other than a Saturday, Sunday, a legal holiday or a day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to close. Notwithstanding the foregoing, during any period in which ownership of the Series 2017A Bonds is determined only by a book entry at a securities depository for the Series 2017A Bonds, any payment to the securities depository, or its nominee or registered assigns, shall be made in accordance with existing arrangements between the Board and the securities depository.

THIS BOND is one of a series of Bonds of like tenor and effect except as to number, maturity, interest rate and right of prior redemption, dated as of the dated date of this Bond specified above, aggregating \_\_\_\_\_ Dollars (\$\_\_\_\_\_) (the "Series 2017A Bonds" or the "Bonds"), issued pursuant to authority granted to the Board by Section 49-d-8 of Article III of the Texas Constitution ("Section 49-d-8"), Section 49-d-9 of Article III of the Texas Constitution ("Section 49-d-9"), Section 49-d-11 of Article III of the Texas Constitution ("Section 49-d-11") and Subchapter L, Chapter 17, Texas Water Code ("Subchapter L"), and a resolution authorizing the issuance of the series of Bonds of which this is one, adopted by the Board and duly of record in the minutes of the Board (hereinafter called the "Bond Resolution"), for the purpose of conserving and developing the water resources of the State, to-wit: providing funds for the Financial Assistance Account for Water Assistance Projects, refunding the Refunded Bonds, and to pay expenses arising in connection with the issuance of the Series 2017A Bonds. In the Bond Resolution, the Board delegated to certain designated officials the authority to establish and approve the final terms of sale of the Series 2017A Bonds through the execution of an Approval Certificate (the Bond Resolution and Approval Certificate are collectively referred to herein as the "Resolution"). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Resolution.

THE SERIES 2017A BONDS having Stated Maturities on and after August 1, 20\_\_, shall be subject to redemption prior to maturity, at the option of the Board, in whole or in part, in Authorized Denominations, on \_\_\_\_\_, 20\_\_, or on any date thereafter, at the redemption price of par plus accrued interest to the date of redemption.

THE SERIES 2017A BONDS maturing on August 1, in the years \_\_\_\_\_ (the "Term Bonds") are subject to mandatory sinking fund redemption annually, on August 1 of the years and in the principal amounts set forth below, plus accrued interest from the most recent interest payment date on which interest has been paid or fully provided for, to the redemption date:

**\$ Term Bonds due August 1, 20**

Mandatory Redemption Dates  
(August 1)

Principal Amount  
(\$)

ON OR BEFORE August 1 of every year in which there are mandatory redemption requirements as defined above for the Term Bonds, the Paying Agent/Registrar shall (i) determine the principal amount of Term Bonds that must be mandatorily redeemed on August 1 of such year, after taking into account deliveries for cancellation and optional redemptions of Bonds as more fully provided below, (ii) select by lot or other customary random method the Term Bonds (or portions thereof) to be mandatorily deemed on August 1 of such year and (iii)



give notice thereof in the manner described below. The Board, at its option, may credit against any mandatory sinking fund Term Bonds which have been purchased and canceled by the Board or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement of any other Term Bond maturity then subject to redemption.

THE SERIES 2017A BONDS shall be subject to extraordinary mandatory redemption prior to their scheduled maturities, on \_\_\_\_\_, 2018 (the "One-Year Extraordinary Mandatory Redemption"), in an amount equal to the Computation Amount applicable to the One Year Computation Period (as each term is defined in the Resolution), plus accrued interest to the date of such extraordinary mandatory redemption, at the redemption prices set forth below, expressed as percentages of the principal amount of each maturity of the Series 2017A Bonds so redeemed:

Maturity

Redemption (%)

THE FOREGOING NOTWITHSTANDING, the Series 2017A Bonds shall not be subject to such extraordinary mandatory redemption if the Board obtains an opinion of nationally-recognized bond counsel acceptable to the Board to the effect that the failure by the Board to cause such extraordinary mandatory redemption to occur will not adversely affect the excludability of interest on the Series 2017A Bonds from gross income for federal income tax purposes.

THE SERIES 2017A BONDS shall be subject to extraordinary mandatory redemption prior to their scheduled maturities, on \_\_\_\_\_, 2020 (the "Three-Year Extraordinary Mandatory Redemption"), in an amount equal to the Computation Amount applicable to the Three-Year Computation Period (as defined in the Resolution), plus accrued interest to the date of such extraordinary mandatory redemption, at the redemption prices set forth below, expressed as percentages of the principal amount of each maturity of the Series 2017A Bonds so redeemed:

Maturity

Redemption (%)

THE FOREGOING NOTWITHSTANDING, the Series 2017A Bonds shall not be subject to such extraordinary mandatory redemption if the Board obtains an opinion of nationally recognized bond counsel acceptable to the Board to the effect that the failure by the Board to cause such extraordinary mandatory redemption to occur will not adversely affect the excludability of interest on the Series 2017A Bonds from gross income for federal income tax purposes.

For Purposes of the One-Year Extraordinary Mandatory Redemption and the Three-Year Extraordinary Mandatory Redemption of Bonds, as the case may be, the Series 2017A Bonds subject to such redemption shall be selected on a "Pro-Rata Basis"; provided, that if any amount required to be redeemed remains after such selection, such remaining amount shall be applied to the redemption of \$5,000 principal amount of each maturity of Series 2017A Bonds in inverse order of maturity. The term "Pro-Rata Basis" means that the principal amount of Series 2017A Bonds of a particular maturity shall be determined by multiplying the Computation Amount by the ratio which the principal amount of Series 2017A Bonds of such maturity then Outstanding bears to the aggregate principal amount of Series 2017A Bonds then Outstanding and subject to redemption.

IF FEWER THAN ALL OF THE SERIES 2017A BONDS are called for redemption, the maturities to be redeemed will be selected by the Board, and the Series 2017A Bonds to be redeemed within any one maturity will be selected by the Paying Agent/Registrar by lot (or in such other manner as the Paying Agent/Registrar may determine) in integral multiples of \$5,000; *provided, however*, that during any period in which ownership of such Series 2017A Bonds to be redeemed is determined only by a book-entry at DTC, or a successor securities depository, if fewer than all of such Series 2017A Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Series 2017A Bonds of such maturity and bearing such interest rate will be selected in accordance with the arrangements between the Board and DTC or successor securities depository.

IF THE SERIES 2017A BONDS are no longer registered to DTC or its nominee, any redemption of less than all of a maturity of such Series 2017A Bonds shall be effected by the Paying Agent/Registrar among owners on a pro-rata basis subject to minimum Authorized Denominations. The Series 2017A Bonds or portions thereof to be redeemed shall be determined by the Paying Agent/Registrar, using such method as it shall deem fair and appropriate.

AT LEAST thirty (30) days prior to the date fixed for any redemption, (a) a written notice of such redemption shall be given to the registered owner of each Bond or a portion thereof being called for redemption by depositing such notice in the United States mail, first-class postage prepaid, addressed to each such registered owner at his address shown on the registration books of the Paying Agent/Registrar, and (b) notice of such redemption either shall be published one (1) time in or posted electronically on the website of a financial journal or publication of general circulation in the United States of America or the State of Texas carrying as a regular feature notices of municipal bonds called for redemption; *provided, however*, that the failure to send, mail, or receive such notice described in clause (a) above, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond, and the Resolution provides that the provision of notice as described in clause (a) above shall be the only notice actually required in connection with or as a prerequisite to the redemption of any Bonds. By the date fixed for any such redemption due provision shall be made by the Board with the Paying Agent/Registrar for the payment of the required redemption price for this Bond or the portion hereof which is to be so redeemed, plus accrued interest thereon to the date fixed for redemption. Should notice to call Bonds for redemption at the option of the Board be given in the manner provided above, but the Board shall not be able to provide the Paying Agent/Registrar with amounts sufficient to effect on the date fixed for redemption the payment of the entire redemption price of the Series 2017A Bonds so called for redemption, no Bonds shall be redeemed on the date fixed for redemption, and the notice of redemption for such Bonds shall be null and void. Such occurrence shall not result in default of the Board's payment obligations on the Series 2017A Bonds as provided herein or in the Resolution. By each redemption date, the Board shall deposit with the Paying Agent/Registrar money sufficient to pay all amounts due on the redemption date.

THE BOARD RESERVES the right to give notice of its election to optionally redeem Series 2017A Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or Defeasance Securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) that the Board retains the right to rescind such notice at any time prior to the scheduled redemption date if the Board delivers a certificate or other direction to the Paying Agent/Registrar instruction the Paying Agent/Registrar to rescind the redemption notice, and

such notice of redemption shall be of no effect if such moneys and/or Defeasance Securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission to the affected Owners. Any Bonds subject to conditional redemption where redemption has been rescinded shall not constitute an event of default and shall remain outstanding.

IF SUCH NOTICE of redemption is given, and if due provision for such payment is made, all as provided in the paragraph above, this Bond, or the portion thereof which is to be so redeemed, thereby automatically shall be redeemed prior to its scheduled maturity, and shall not bear interest after the date fixed for its redemption, and shall not be regarded as being Outstanding except for the right of the registered owner to receive the redemption price plus accrued interest to the date fixed for redemption from the Paying Agent/Registrar out of the funds provided for such payment. The Paying Agent/Registrar shall record in the Registration Books all such redemptions of principal of this Bond or any portion hereof. If a portion of any Bond shall be redeemed, a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000 of principal amount (hereinafter an "Authorized Denomination"), at the written request of the registered owner, and in an aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the Board, all as provided in the Resolution.

THIS BOND OR ANY PORTION OR PORTIONS HEREOF IN ANY AUTHORIZED DENOMINATION may be assigned and shall be transferred only in the Registration Books of the Board kept by the Paying Agent/Registrar acting in the capacity of registrar for the Series 2017A Bonds, upon the terms and conditions set forth in the Resolution. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar at the Designated Payment/Transfer Office, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any Authorized Denomination to the assignee or assignees. A new Bond or Bonds payable to such assignee, or to the previous registered owner in the case of the assignment and transfer of only a portion of this Bond, shall be delivered by the Paying Agent/Registrar in conversion of and exchange for this Bond, all in the form and manner as provided in the next paragraph hereof for the conversion and exchange of other Bonds.

AS PROVIDED in the Resolution, this Bond, or any unredeemed portion hereof, may, at the request of the registered owner or the assignee or assignees hereof, be converted into and exchanged for a like aggregate principal amount of fully registered Bonds payable to the appropriate registered owner, assignee, or assignees, as the case may be, having the same maturity date and interest rate, in any Authorized Denomination, as requested in writing by the appropriate registered owner or assignee, upon surrender of this Bond to the Paying Agent/Registrar at the Designated Payment/Transfer Office for cancellation.

NEITHER THE BOARD, the State of Texas, nor the Paying Agent/Registrar shall be required (a) to issue, transfer, exchange or make any conversion of any Bond subject to redemption during a period beginning at the opening of business thirty (30) days before the day of the first mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing or (b) to transfer or exchange any Bond after it is selected for redemption, in whole or in part, prior to the redemption date; *provided, however*, that at the option of the registered owner of at least \$1,000,000 in principal amount of the Series 2017A Bonds, the Paying Agent/Registrar shall be required to transfer or exchange any Bonds which have been

selected in whole or in part for redemption upon the surrender thereof. The registered owner requesting conversion and exchange of any Bond or portion thereof shall pay the Paying Agent/Registrar's customary fees and charges, together with any taxes or governmental charges required to be paid with respect thereto, as a condition precedent to the exercise of such privilege of conversion and exchange, except, however, that in the case of the conversion and exchange of an assigned and transferred Bond or Bonds or portion thereof, and in the case of the conversion and exchange of a portion of a Bond which has been redeemed prior to maturity, as provided herein, the fees and charges of the Paying Agent/Registrar will be paid by the Board.

WHENEVER the beneficial ownership of this Bond is determined by a book entry at a securities depository for the Series 2017A Bonds, the foregoing requirements of holding, delivering or transferring this Bond shall be modified to require the appropriate person or entity to meet the requirements of the securities depository as to registering or transferring the book entry to produce the same effect.

IN THE EVENT any Paying Agent/Registrar for the Series 2017A Bonds is changed by the Board, resigns or otherwise ceases to act as such, the Board has covenanted in the Resolution that it promptly will appoint a competent and legally qualified substitute therefor, and promptly will cause written notice thereof to be mailed to the registered owners of the Series 2017A Bonds.

BY BECOMING the registered owner of this Bond, the registered owner thereby acknowledges all of the terms and provisions of the Resolution, agrees to be bound by such terms and provisions, acknowledges that the Resolution is duly recorded and available for inspection in the official minutes and records of the Board, and agrees that the terms and provisions of this Bond and the Resolution constitute a contract between each registered owner hereof and the Board.

THE ISSUE of Bonds of which this is one shall be and is hereby made a general obligation of the State of Texas, pursuant to Section 49-d-8 and Subchapter L, and for the faithful performance of all covenants, recitals and stipulations herein contained, and for the faithful performance in proper time and manner of each official or other act required and necessary to provide for the prompt payment of principal of and interest on this Bond when due, the resources of the Board and the full faith and credit of the State of Texas are hereby pledged.

PAYMENTS OF THE PRINCIPAL OF and premium, if any, and interest on this Bond shall be made primarily from the "Texas Water Development Fund II Water Financial Assistance Account" (the "Financial Assistance Account") within the Texas Water Development Fund II ("Development Fund II") created by Section 49-d-8. The Financial Assistance Account shall be comprised of (1) the Board's rights to receive repayment of financial assistance provided from such account, together with any evidence of such rights; (2) money received from the sale or other disposition of the Board's rights to receive repayment of such financial assistance; (3) money received as repayment of such financial assistance; (4) money and assets attributable to bonds issued and sold by the Board for such account, including money and assets transferred from the Texas Water Development Fund pursuant to Section 49-d-8; (5) money deposited to such account from the sale, transfer, or lease, in whole or in part, of facilities held for such account; (6) payments received by the Board under a Bond Enhancement Agreement as authorized by law with respect to bonds issued for such account; (7) interest and other income received from investment of money in such account; and (8) any other funds, regardless of their source, that the Board directs be deposited to the Financial Assistance Account. Proceeds from

the sale of the bonds on deposit in the Financial Assistance Account shall not be available to pay the principal of and premium, if any, and interest on this Bond and the series of which it is a part unless specifically authorized by the Board. The Bonds and all other bonds or other obligations issued or incurred by the Board pursuant to Section 49-d-8, Section 49-d-9, or Section 49-d-11 to augment Development Fund II or to refund any such bonds or obligations are referred to herein as "Water Financial Assistance Bonds". Section 49-d-8 provides that to the extent there is not money in any account available for payment of principal of and interest on the Water Financial Assistance Bonds issued for such account, there is appropriated out of the first money coming into the State Treasury in each fiscal year, not otherwise appropriated by the Texas Constitution, an amount which is sufficient to pay the principal of and interest on such Water Financial Assistance Bonds that mature or become due during that fiscal year.

IT IS HEREBY certified and recited that all acts, conditions and things required to be done precedent to and in the issuance of this Bond and the series of which it forms a part have been properly done, have happened and have been performed in regular and due time, form and manner as required by the Constitution and laws of the State of Texas and the Resolution, and that the series of Bonds of which this is a part does not exceed any constitutional or statutory limitation, and that provision has been made for the payment of the principal of and interest on this Bond and the series of which it is a part as such principal and interest become due by a continuing appropriation heretofore made by Section 49-d-8 and by a pledge of the credit of the State of Texas.

*[The remainder of this page is intentionally left blank.]*

IN TESTIMONY WHEREOF, this Bond is executed with the lithographed or printed facsimile or manual signatures of the Chairman of the Texas Water Development Board and the Executive Administrator, and the seal of said Board is lithographed, printed or manually impressed hereon.

THE STATE OF TEXAS

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Chairman  
Texas Water Development Board

ATTEST:

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Executive Administrator  
Texas Water Development Board

(SEAL)

[To accompany Definitive Bonds only]

**PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE**

It is hereby certified that this Bond has been issued under the provisions of the Resolution described on the face of this Bond; and that this Bond has been issued in conversion of and exchange for or replacement of a Bond, Bonds or a portion of a Bond or Bonds of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., Paying Agent/Registrar

Dated \_\_\_\_\_

By: \_\_\_\_\_  
Authorized Representative

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns, and transfers unto (Print or typewrite name, address, and zip code of transferee:) \_\_\_\_\_

(Social Security or other identifying number \_\_\_\_\_) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_

attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

DATED:

\_\_\_\_\_  
Signature guaranteed:

\_\_\_\_\_

\_\_\_\_\_  
NOTICE: The signature on this assignment must correspond with the name of the registered owner as it appears on the face of the within Bond in every particular.



[To accompany Initial Bond(s) only]

# REGISTRATION CERTIFICATE OF COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER )  
OF PUBLIC ACCOUNTS ) REGISTER NO. \_\_\_\_\_  
THE STATE OF TEXAS )

I HEREBY CERTIFY that this Bond has been examined, certified as to validity and approved by the Attorney General of the State of Texas, and duly registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS my signature and seal of office this \_\_\_\_\_.

Comptroller of Public Accounts  
of the State of Texas

(SEAL)

The Initial Series 2017A Bond shall be in the form set forth therefor in this Exhibit, except as follows:

Heading and paragraphs one (1) through three (3) shall be replaced as follows:

NO. T-1 \$ \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF TEXAS  
WATER FINANCIAL ASSISTANCE AND REFUNDING BOND  
SERIES 2017A

Bond Date:  
\_\_\_\_\_, 2017

Registered Owner: \_\_\_\_\_

Principal Amount: \_\_\_\_\_ DOLLARS

THE STATE OF TEXAS, ACTING BY AND THROUGH THE TEXAS WATER DEVELOPMENT BOARD (the "Board"), for value received, acknowledges itself indebted to and hereby promises to pay to the registered owner named above, or the registered assigns thereof, the Principal Amount hereinabove stated on August 1 in the years and in principal installments in accordance with the following schedule:

<u>Year of Stated Maturity</u>	<u>Principal Amount (\$)</u>	<u>Interest Rates (%)</u>
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(Information to be inserted from Approval Certificate).

(without right of prior redemption) and to pay interest on the unpaid principal installments hereof from the date of its delivery at the per annum rates of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on August 1, 2017, and each February 1 and August 1 thereafter, until maturity. Principal installments of this Series 2017A Bond are payable in the year of maturity or on a redemption date to the registered owner hereof by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"), upon presentation and surrender, at its designated offices in East Syracuse, New York (the "Designated Payment/Transfer Office"). Interest is payable to the registered owner of this Bond whose name appears on the "Registration Books" maintained by the Paying Agent/Registrar at the close of business on the "Record Date," which is the fifteenth day of the month next preceding each interest payment date, and interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Registration Books or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. All payments of principal of, premium, if any, and interest on this Bond shall be without exchange or collection charges to the registered owner hereof and in any coin or currency of the United States of America, which at the time of payment is legal tender for the payment of public and private debts. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located

are authorized by law or executive order to be closed, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to be closed; and payment on such date shall have the same force and effect as if made on the original date payment was due.

*[The remainder of this page intentionally left blank.]*

**EXHIBIT C**  
**PAYING AGENT/REGISTRAR AGREEMENT**

See Tab \_\_\_\_

**EXHIBIT D**

**DESCRIPTION OF ANNUAL FINANCIAL INFORMATION  
OF THE BOARD**

The following information is referred to in Section 9.01 of this Resolution.

**Annual Financial Statements and Operating Data**

The financial information and operating data with respect to the Board to be provided annually in accordance with such Section are TABLES 1 and 2 of the Official Statement and in Appendix B to the Official Statement.

**Accounting Principles**

The accounting principles referred to in such Section are generally accepted accounting principles for governmental units as prescribed by the Government Accounting Standards Board from time to time, as such principles may be changed from time to time to comply with state law or regulation.

**EXHIBIT E**  
**ESCROW AGREEMENT**

**EXHIBIT F**  
**ESCROW AGREEMENT**